

# Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)  
From: DMC Staff  
Date: November 17, 2021  
RE: PILOT Application: Mixed-Use Development, 757 Court Ave.

---

The enclosed PILOT application has been submitted for consideration at the special-called November 17, 2021, CCRFC Board Meeting.

**Project:** Mixed-Use Development, 757 Court Ave.

---

**Applicant:** 757 Court, LLC  
Daniel Szymanek, Jonathan Aur, Rob Mayer,  
& Scott Tashie  
6060 Poplar Ave. Suite 400  
Memphis, TN 38119

**Applicant's Request:** 10-Year PILOT lease for a new mixed-use building located Downtown in the Medical District neighborhood.

**Included Parcel:** Parcel ID 023017 00006 (757 Court Ave.)

**Project Description:** The subject property (0.37 acres) is located at the southwest corner of N. Manassas and Court Ave. The existing 1-story building on site will be demolished and replaced with a new 36,000 sq. ft. commercial building with a contemporary architectural design.

The 5-story project consists of 49 apartment units at an average of 500 square feet for a total leasable residential area of 24,500 square feet. The ground floor will contain 1,800 sq. ft. of leasable retail space and 9,660 square feet of support space.

The proposed site improvements include new surface parking, landscaping, new sidewalks, and streetscape enhancements. Parking includes 14 new off-street parking spaces as well as on-street parking along Court Avenue and on-site bike racks.

Following CCRFC PILOT approval, the applicant plans to close financing in early 2022 and could begin construction as early as February 2022. Construction is expected to be complete in March 2023.

**Project Budget:** The total development cost of the project is approximately \$7,289,170. 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	\$6,189,170	(85%)
Equity	\$1,100,000	(15%)
<b>Total Sources</b>	<b>\$7,289,170</b>	<b>(100%)</b>

**Uses:**

Property Purchase	\$450,000	(6%)
Hard Construction Costs	\$6,512,000	(90%)
Soft Costs	\$255,000	(3%)
PILOT Fee	\$72,170	(1%)
<b>Total Uses</b>	<b>\$7,289,170</b>	<b>(100%)</b>

Project Grading:

The project achieves an unadjusted maximum grade in excess of the requested and recommended PILOT term of 10-years.

**Primary Qualifications:**

Residential (26-50 units)	5 Years
Retail (below 15,000 sf)	.5 Year

**CCRFC Priorities**

Located within CBID	3 Years
Census Tract Poverty Rate > 20%	2 Years
Census Tract < 80% of AMI	2 Years
MLGW Energy Advantage Cert.	1 Year

**Total Project Development Costs:**

\$5-10 Million	2 Years
----------------	---------

Maximum Grade: 15.5 Years

**PILOT Request: 10 Years**

Applicant's Request:

The applicant is requesting approval of a 10-year PILOT. According to the applicant, approval of a PILOT is necessary for the project to be economically viable and attract debt and equity. Without a PILOT tax incentive, the project pro forma shows a debt service coverage ratio insufficient to attract bank financing. Standard metrics including Return on Equity (ROE) are also insufficient to warrant equity investment without a PILOT when compared to the cost of capital, alternative investment options, and risk considerations.

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 PILOT recipient 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.

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 contractors, sub-contractors, and tradespeople as needed to perform the planned work.
- The applicant will advertise and host a pre-bid conference to proactively invite MWBE subcontractors to participate in the process and ask questions to learn more about the job opportunity. DMC staff will be invited to attend the pre-bid conference to observe. Additionally, the applicant will look proactively to identify opportunities for a joint venture or meaningful partnerships with smaller general contractors to gain experience at this scale while adding value to the project.
- 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: The 25% minimum MWBE spending goal for this project will include the following estimated hard costs and professional fees:

Construction	\$6,512,000	(97%)
Professional Fees	\$190,000	(3%)
<b>Total Uses</b>	<b>\$6,702,000</b>	<b>(100%)</b>

According to the above estimates, a 25% level of MWBE inclusion for the combined hard and soft costs will be approximately **\$1,675,500**.

Design Review Board: The applicant will submit plans to the DRB in the coming months. DRB approval is required prior to start of construction.

Estimated Payments: The current annual city and county taxes on the property total approximately **\$533**. A PILOT would allow for an underutilized site to be transformed to a multi-family development adding 49 new residences to the urban core. It must be noted that a property never pays less tax as a result of receiving a Downtown Property PILOT. A commercial property always pays more tax as a result of being approved for a CCRFC PILOT. This tax incentive allows development projects to move forward that would otherwise not be able to occur due to insufficient economic returns that make attracting debt and equity untenable.

During the 10-year PILOT term, the annual payment in lieu of taxes is estimated to equal approximately **\$33,421**. This represents an major 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 **\$328,885**.

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 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 City of Memphis and the Downtown Memphis Commission both have a strong interest in increasing commercial property values and residential density in the heart of Memphis. Downtown's Medical District is a regionally-significant center for healthcare, employment, and education, but residential growth has lagged far behind other Downtown neighborhoods. The proposed development will provide new ground-floor retail space and 49 apartment units ready to house the medical workers, students, and

others who power the vital work that occurs in the Medical District. The development will also help to build on the momentum of other nearby major investments in the Medical District, most notably the adjacent Orleans Station redevelopment currently under construction.

**Recommendation:**

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