Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)
From: DMC Staff
Date: July 7, 2026
RE: PILOT Application: 767 Kentucky St.

The enclosed PILOT application has been submitted for consideration at the July 14, 2026, CCRFC Board Meeting.

Project:	**767 Kentucky St. - Multifamily Development**
Applicant:	767 Kentucky LLC Daniel Szymanek & Rob Mayer 767 Kentucky St., Memphis, TN 38106
Applicant's Request:	15-year PILOT for new construction of a multifamily development with 26 apartment units.
Included Parcel:	012047 00004C (0.6634 acres)
Project Description:	The subject property is a vacant, overgrown lot located on the west side of Kentucky Street, approximately one-half block north of W. Virginia Avenue. The northern property line of this site abuts an active railroad corridor, and existing multifamily apartment developments are located to the east and west. The applicant proposes to construct 6 townhome-style buildings, each containing four rental apartment units, for a total of 24 units. The buildings will be arranged around a central community space, with front porches oriented toward this shared outdoor area. A seventh structure will be constructed on the southern portion of the site and will include a duplex containing two additional rental units, as well as amenity space. Each residential unit is designed as a one-bedroom apartment of approximately 497 - 600 square feet (useable - gross). The project will create a "pocket neighborhood" centered on shared open space and community amenities. The proposed contemporary architectural design incorporates cementitious siding, metal panel accents, and asphalt shingle roofing. Site improvements will include sidewalk enhancements, new or relocated curb cuts, and the

installation of street trees. The project is also expected to incorporate enhanced architectural lighting, as well as new landscaping and fencing adjacent to public sidewalks and the on-site surface parking lot.

The applicant has full site control and currently owns the property through an affiliated entity. The property is presently owned by SMH Partners GP, a real estate investment partnership whose members are Daniel Szymanek and Rob Mayer. SMH Partners intends to transfer the property via quitclaim deed to 767 Kentucky LLC, which is also owned by Daniel Szymanek and Rob Mayer, for the purpose of developing the subject site.

Contingent upon PILOT approval, construction is anticipated to begin in September 2026, with project completion and occupancy expected by August 2027.

Development Budget:

The total development cost of the project is approximately $2,959,693. 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	$2,250,000	(76%)
Owner Equity	$709,693	(24%)
Total Sources	**$2,959,693**	**(100%)**
Uses:		
Land	$450,000	(15%)
Hard Construction Costs	$2,116,800	(72%)
Soft Costs	$315,643	(10.5%)
Financing Fees	$33,750	(1%)
PILOT Closing Fee	$43,500	(1.5%)
Total Uses	**$2,959,693**	**(100%)**

Project Grading:

The project can achieve a maximum grade of 15 years under the following PILOT scoring criteria.

Primary Qualifications:	
Residential (26-50 units)	5 Years
Located within CBID Boundaries	3 Year
$1-5 Million Development Cost	1 Years

	Census Tract: >20% poverty rate	2 Years
	Main to Main Corridor	3 Years
	Enhanced Architectural Lighting	1 Year
	Maximum Grade:	**15 Years**
	Applicant's PILOT Request:	**15 Years**

Parking Strategy: Parking will be provided on site with a dedicated 26-space surface parking lot.

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 **$1,618**. A PILOT would allow for new infill development and residential density on what is currently a vacant lot.

During the 15-year PILOT term, the annual payment in lieu of taxes from the developer to the City and County is estimated to equal approximately **$11,934**. This represents a **638% increase** from the amount of taxes currently generated by the property.

Approval of this PILOT not only enables an otherwise infeasible commercial development project to proceed, but also meaningfully expands the local property tax base. Even during the PILOT term, the developer will pay substantially more in property taxes than the property currently generates. Over the 15-year PILOT period, the project is projected to produce approximately **$154,737** in cumulative City and County property tax revenue that would not otherwise be realized, as the development is not financially feasible without the requested incentive.

Upon expiration of the PILOT, the project is estimated to pay **$42,881** annually in combined City and County property taxes, representing an exponential increase over the property's current annual tax contribution of less than **$2,000.**

Staff Evaluation: Based on the submitted application and accompanying pro forma, DMC staff concurs with the applicant that a PILOT incentive is necessary for the project to be economically feasible and to secure both debt and equity financing. Absent a PILOT, the pro forma reflects a Debt Service Coverage Ratio well below the minimum 1.20 threshold required by commercial lenders, indicating that the project would not meet standard bank underwriting criteria. Without a PILOT, the project is economically unviable and produces only minimal investor returns that fall below those available through low or no-risk investment alternatives. For example, the projected return on equity without a PILOT is less than yields available through instruments such as high-yield savings accounts or certificates of deposit. This return profile is particularly challenging given the elevated risk associated with any speculative commercial real estate development.

These conditions materially undermine the project's financial feasibility and impede its ability to secure both debt and equity financing. Commercial real estate development typically requires returns well above break-even levels to justify investment from both lenders and equity partners, even in cases where developers are motivated by broader community benefits or mission-driven objectives. The requested PILOT improves stabilized project performance and underwriting metrics to levels necessary to support conventional lending requirements, attract equity capital, and achieve reasonable risk-adjusted returns for investors.

The DMC Downtown Action Plan promotes new commercial and residential investment that fills gaps in activity and strengthens overall Downtown vibrancy. This objective is particularly important when infill development can remediate blighted and vacant property adjacent to existing investment.

Staff is supportive of this request for a 15-year PILOT because it unlocks the potential for infill development on a vacant and underutilized parcel in a context already shaped by multifamily residential development. Rather than extending new development into greenfield areas outside of the core city, the project strengthens the existing neighborhood fabric by activating a long-idle site, filling a gap within the urban grid, and reinforcing development continuity between adjacent apartment communities.

Infill projects of this nature are particularly important because they make efficient use of existing streets, utilities, and public services while helping stabilize and incrementally improve surrounding conditions. The proposed development also contributes to neighborhood completeness by replacing vacancy and overgrowth with permanent housing, improved frontage conditions, and site improvements that enhance the pedestrian environment.

Residential density does not occur overnight. Relatively small but meaningful investments and strategic development decisions fill critical gaps in the urban fabric and help grow the population base. This development will further contribute to population growth in the South CBID, generating new customers for businesses in the South Main neighborhood and across Downtown. Greater density is essential to fostering a Downtown that can more effectively support viable transit, sustain successful local retail, and cultivate a vibrant, active public realm. In this context, the PILOT serves as a targeted tool to unlock a site that would otherwise be highly unlikely to develop, ensuring that a key infill opportunity is not lost to continued underutilization.

Recommendation: **Staff recommends approval of a 15-year PILOT subject to all standard closing requirements and conditions.**