

Center City Development Corporation Board Meeting

To: Center City Development Corporation (CCDC)
From: DMC Staff
Date: April 10, 2024
RE: Development Loan Request – 81 Monroe Ave.

The enclosed Development Loan application has been submitted for consideration at the April 17, 2024, CCDC Board Meeting.

Project: **81 Monroe Ave.**

Applicant: Henry Turley Company
Kevin Clarkson, Chief Construction & Facilities Officer
65 Union Ave.
Memphis, TN 38103

Owner: Eighty One Monroe Investment Company LTD
65 Union Ave.
Memphis, TN 38103

Applicant's Request: Development Loan in an amount up to \$100,000.

Project Description: The subject property is a 6-story historic building located on the south side of Monroe Avenue, in the block between Main Street and Front Street. The building is currently being used as an office building with 3 commercial office tenants.

It is anticipated that the building could have a significant amount of vacancy at the end of 2024 as tenants downsize their office space needs going forward. The building owner has identified the following capital improvements and repairs needed to retain existing tenants and attract new tenants to keep the building fully occupied and stable:

- Elevator modernization & replacement
- New life safety & fire detection/suppression system
- New TPO (thermoplastic polyolefin) roof system

Due to a sense of urgency in maintaining safe and functional elevators, the building owner started the elevator repairs in March 2024 and expects work to be complete in July 2024. The building Life Safety improvements will be fully complete following the elevator repair work. The roof repair,

subject to approval of the Development Loan by CCDC, has not started yet and could begin as early as August 2024. Roof repair is expected to take approximately 60 days to complete.

Dev. Loan Program:

The Development Loan can be used for commercial building renovations, site improvements, and new construction. Building system improvements, permanent equipment, and first floor, non-residential tenant improvements that are permanent in nature are also eligible uses. Removable fixtures and equipment and soft costs are not eligible expenses under the program. The Development Loan is permanent financing at an interest rate of 1%. While the loan has a 10-year term, the amortization schedule is based on a 20-year period in order to offer lower monthly payments. The program has a maximum loan amount of \$200,000 per project. As permanent financing, the final loan amount is reimbursable and based on approved receipts for eligible improvements.

The applicant is requesting a Development Loan in the amount of \$100,000. It is contemplated that the loan proceeds will be applied towards the roof repair.

Overall Budget:

The following budget describes the overall project:

Sources:

Loan - Pathways Lending	\$264,282	(25%)
CCDC Development Loan	\$100,000	(9%)
Owner’s Equity in Project	\$400,000	(38%)
Cash on Hand	\$95,684	(9%)
Operating Income	\$199,777	(19%)
Total Sources	\$1,059,743	(100%)

Uses:

Fire Panel	\$64,870	(6%)
Elevator	\$579,167	(55%)
Elevator Construction	\$76,005	(7%)
Interior Repairs	\$5,000	(0.5%)
Roof	\$184,282	(17%)
Contingency	\$10,000	(1%)
Supervision Fees	\$50,464	(5%)
Tenant Improvements	\$89,955	(8.5%)
Total Uses	\$1,059,743	(100%)

Design Review: DRB review and approval would only be required for any exterior work that is visible from the public right-of-way.

EBO Program: Any project that is awarded a financial incentive from the DMC must comply with the Equal Businesses Opportunity (EBO) Program. The EBO program requires that the applicant make a best faith effort to reach no less than 25% participation by minority and women-owned businesses (MWBE) for the portion of the project scope that is eligible for bidding or subcontracting. The portion of a project subject to meeting the EBO requirements typically involves the hard and soft costs for design & renovations.

According to the estimated budget, a 25% level of MWBE inclusion for the full project costs will be approximately **\$264,936**.

Staff Evaluation: The DMC's Strategic Plan encourages facilitating and accelerating real estate development, incentivizing Downtown development when necessary to increase investment and economic development, and fighting blight to improve the visual appearance of the built environment Downtown.

A central tenet of the DMC's overall economic development strategy is that historic preservation and adaptive reuse are vital tactics in creating a Downtown that leverages both its authenticity and historic building stock as distinct competitive advantages. The planned capital improvements will significantly extend the useful life of this historic building.

At a time when the global outlook for the commercial office market still has a high degree of uncertainty in the face of remote work trends, it is all the more important to retain existing office tenants Downtown. The strategic capital improvements planned for this property are in line with the Development Loan program intent and will help ensure that a fully occupied historic building in the heart of the Downtown Core will remain vibrant and in active use for many more years to come.

Recommendation: Staff recommends approval of a Development Loan in an amount up to \$100,000, based on approved receipts and subject to all standard closing requirements and conditions.