

Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)
From: DMC Staff
Date: September 10, 2024
RE: PILOT Application: 272 N. Bellevue St. & 0 N. Bellevue St. (Bellevue Montgomery)

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

Project: Bellevue Montgomery Multifamily Development

Applicant: Scott Kern, Development Team Representative
Bellevue Montgomery, LLC
1770 Kirby Parkway, Suite 215
Memphis, Tennessee 38138

Applicant's Request: 10-year PILOT for a new-construction multifamily development with 23 apartment units.

Included Parcel: Parcel ID: 020005 00011

Project Description: The subject property is a large vacant lot in the Crosstown neighborhood. The subject property is located in the center on a long block bound by Poplar Avenue to the south, North Montgomery Street to the east, Peach Avenue to the north, and North Bellevue Boulevard to the west. For reference, the "Crosstown Mound" site is located approximately 600 feet to the north of this subject property.

The 2.53-acre site was formally used as the Dr. R.B. Maury Public School from 1908-1973. The building was demolished in 1997 and the site has remained vacant since that time.

The applicant plans to build 23 rental apartment units on the site as a first project phase. The concept is to focus on "missing middle" housing by providing a range of unit sizes and amenities designed to enhance livability and build community. The applicant will build a series of individual structures around a center courtyard amenity. The design intent is to add neighborhood-scale infill rental housing that is compatible with existing homes and buildings in this established neighborhood.

Phase I of the project will focus on the eastern half of the site. The proposed Phase I development includes the following:

- One 1-bedroom cottage
- Five (5) 1-bedroom duplexes

- Two (2) 1-bedroom fourplexes
- Two (2) 2-bedroom duplexes
- Two (2) 2-bedroom townhomes
- Surface parking lot with twenty-five (25) spaces

If a PILOT is approved for the Phase I project, construction is planned to begin in March 2025, and be substantially complete by Q1 2026.

Site Control & Zoning: The applicant has an active contract to purchase the site, contingent on PILOT approval and other typical due diligence considerations. The applicant has confirmed with the City of Memphis that the proposed project can be approved as a by-right project through the Administrative Site Plan Approval process, pending a Certificate of Appropriateness (CoA) from Memphis Landmarks Commission (MLC).

Amenities & Affordability: The project is designed to maximize green space and preserve as many of the existing mature trees as possible. Site amenities will include a common courtyard with landscaping, a dog run, secure parking, and a covered grilling and station.

The applicant intends for this project to help increase the number of high-quality affordable housing units in the neighborhood. The monthly apartments rents are intended to be set at 80% or less of the Area Median Income (AMI).

Development Budget: Under the current PILOT Program, adopted July, 2023, the project is eligible for a standard PILOT length of 10 years.

The total development cost of the project is approximately **\$3,621,863**. 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:

Construction Loan	\$2,897,491	(80%)
Equity	\$669,373	(18.5%)
Grants	\$55,000	(1.5%)
Total Sources	\$3,621,863	(100%)

Uses:

Acquisition	\$210,000	(6%)
Hard Costs	\$2,641,529	(73%)
Soft Costs	\$218,860	(6%)

Contingency	\$264,153	(7%)
Development Fee	\$181,093	(5%)
Financing Fees	\$106,228	(3%)
Total Uses	\$3,621,863	(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 (MWBES) 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 contractors and tradespeople to perform the needed work.
- 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.
- 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.

- Once the service providers have been identified, the applicant will submit a 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 Costs	\$2,641,529
<u>A&E Professional Fees</u>	<u>\$92,340</u>

Total Eligible Costs **\$2,733,869**

According to the above estimates, a minimum 25% level of MWBE inclusion for the eligible costs will be approximately **\$683,467**.

Parking Strategy: Parking will be provided on site in a secure 25-space 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 **\$2,843**. A PILOT would allow for new infill development and residential density on what is currently a vacant and underutilized parcel.

During the 10-year PILOT term, the annual payment in lieu of taxes to the City and County is estimated to equal approximately **\$13,981**. This represents a **392% increase** from the amount of taxes currently generated by the property. Over the course of the 10-year PILOT term, the cumulative increase in City and County taxes generated by this property would be approximately **\$111,386**.

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 attract both debt financing and equity.

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 applicant plans to transform a vacant site that has not been a community asset since 1973 when the prior public school building closed. Underutilized over the past 51 years, the current property represents a missed opportunity to positively impact the neighborhood and help grow the property tax base with infill development. Vacant lots provide little value to the City and County, and require lots of attention and maintenance to prevent them from becoming nuisances to surrounding property. Infilling this vacant lot with a high-quality "missing middle" multifamily development will replace a vacant site with new residents, and encourage further new investment in the core city.

Recommendation:

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