To: CCDC Board of Directors
From: DMC Staff
Date: October 11, 2023
RE: Special Forgivable Loan Request – Visible Music College, 200 Madison Ave.

Background:
Founded in 2000, Visible Music College (VMC) has been a Downtown Memphis fixture since moving into the former C&I Bank building at 200 Madison Avenue in 2011. With the marketing of its programs focused on music creation and performance, music production and music business management, VMC has attracted students to Memphis from 30 countries and 50 states. According to the College, VMC has trained over 1100 students, 73% coming from outside Memphis and 55% staying in Memphis after graduation. While enrolment remains strong, VMC is still facing three separate but related financial challenges.

First, the building at 200 Madison Avenue is in need of approximately $375,000 in physical improvements including elevator work, HVAC, and roof repairs. Second, the College is fundraising to buyout the current mortgage of approximately $6.1M. VMC's previous lender sold the mortgage on the property to a lender in Texas. The new lender increased the interest rate to 18.5%, prompting the college to pursue a buyout of the loan entirely. The College would then apply the debt service payments to the growth of the college through student recruitment, local scholarships, and staff retention. Thirdly, VMC needs to establish a $525,000 line of credit with a bank, as required by the US Department of Education, in order to receive student loan funding through the agency's programs.

CCDC Request:
The total financial need of Visible Music College is approximately $7 Million. This includes the deferred maintenance at approximately $375,000, the mortgage buyout at approximately $6.1 Million, and the line of credit at approximately $525,000.

In an effort to retain the College in Downtown Memphis on solid financial footing, a local foundation committed a $3.5M matching grant to VMC, contingent on the College raising an additional $3.5M by November 1, 2023. The proposed CCDC forgivable loan for deferred maintenance, if approved, would count toward the $3.5M local match. VMC is undertaking an active fundraising campaign with more than 90 individual donors and other foundations being asked to support this effort.

Staff Recommendation & Approval Conditions:
In the interest of supporting VMC's plan to remain anchored in Downtown Memphis, staff is recommending a special request of a Forgivable Loan in an amount up to $200,000 to help address the physical building repairs needed including elevator repair, HVAC improvements, and roof repair. This Forgivable Loan will also help the College satisfy its matching grant requirements to leverage the local foundation commitment.

The Forgivable Loan would be structured as a 10-year loan at 1% interest that would fully convert to a grant if the following conditions are met:

1. The Forgivable Loan will be canceled if the repair work has not started by October 31, 2024.
2. Following start of work, VMC must fully complete the building repairs (elevator repair, roof repair, and HVAC repair) within 18 months.
3. VMC must successfully raise the money needed to receive the $3.5M matching grant from the anonymous local foundation as a condition of receiving the CCDC forgivable loan. CCDC's forgivable loan will only be approved as the "last dollars in" for that required match.
4. Compliance with the DMC's Equal Business Opportunity (EBO) Program will be required. The 25% MWBE spending goal will apply to any and all hard and soft costs associated with physical repairs or construction.
5. Design Review Board (DRB) approval will be required for exterior work, if applicable.
6. The final Forgivable Loan amount will be up to $200,000, subject to reimbursement based on approved receipts following project completion and inspection by DMC staff.
7. Once converted to a grant, VMC agrees to repay the CCDC in full if it closes the college, sells the 200 Madison property, vacates 50% or more of the property, or otherwise moves a substantial portion of the staff, faculty, and/or students to a new location prior to December 31, 2029