



To: Center City Development Corporation (CCDC) Board of Directors
From: CCDC Policy Committee & DMC Staff
Date: August 14, 2019
RE: Recommended Updates to CCDC Incentive Programs

Background:

The Policy Committee works in conjunction with DMC Staff to make recommendations for consideration by the full CCDC Board of Directors. An important purpose of this Committee is to review the incentive programs offered and suggest updates and changes in response to market conditions and alignment with DMC priorities and strategy. Individual incentive programs are often approved with a specific sunset date listed. That approach provides for a date-certain opportunity for the Board to evaluate the program and determine if it should be discontinued, modified, or reauthorized.

Another reason to convene the Policy Committee now is the recently completed Downtown Memphis Market Analysis and Retail Strategy. This effort analyzed market conditions and identified a series of implementation options aimed at increasing commercial vibrancy in Downtown Memphis. The DMC Chair created a Retail Strategy Committee comprised of DMC and CCDC Board members to lead these implementation efforts.

Two guiding principles emerged from this work. First, CCDC efforts should focus on increasing the density of businesses within established retail nodes. Given finite demand for new retail and the inherent synergy of co-location, CCDC incentives should be used to build critical mass in areas that already have some ground-floor commercial vibrancy. Additionally, a new incentive tool designed to help recruit ground-floor retail tenants is needed. This incentive program can help fill the financial gap between the property owner and prospective tenant.

Second, efforts to improve the physical environment in Downtown Memphis must continue. Creating an attractive public realm is key to ensuring the kind of walkability and pedestrian-friendly character seen in thriving commercial districts. Continuing the Exterior Improvement Grant (EIG) and Development Loan Programs is highly consistent with the recommendations of the Retail Strategy. These existing programs have proven to be effective tools for fighting blight and improving the exterior appearance of commercial buildings and sites Downtown.

Staff's goal is to use CCDC resources efficiently while leveraging private investment to the fullest extent possible. **Going forward, DMC staff will advise each applicant to apply for only one CCDC incentive for their project.** However, DMC staff may recommend approval of more than

one CCDC incentive for a high-impact project or a strategically significant property if doing so closely aligns with DMC's priorities and Retail Strategy.

Recommendations:

On July 31, 2019, the CCDC Policy Committee met and proposes the following policy changes:

1. Create the Retail Tenant Improvement (TI) Grant as a new incentive program.

- Program goal is to fill long-term vacancies in established retail nodes.
- Grant will be used to implement the recommendations of the Retail Action Plan.
- Program can help bridge the financial gap between property owner and prospective tenant.
- Grant is for permanent tenant improvements, not temporary furnishings, fixtures, or equipment. Eligible improvements should not be tenant specific and should be potentially beneficial to other future users of the space.
- Grant is for a ground-floor tenant who will sign a lease.
- Eligible businesses include retail, creative arts & entertainment, and food & beverage.
- Focus areas include the Downtown Core, South Main, and Edge neighborhood.
- Maximum grant up to \$30,000 per project, based on length of lease and size of space.
- Reimbursable program based on approved receipts.
- Equal Business Opportunity (EBO) Program compliance and DRB review required.
- Staff suggests authorizing the program for two years (Sept. 1, 2019 – Aug. 31, 2021).

2. Reauthorize the Exterior Improvement Grant (EIG) with one minor adjustment.

- The existing EIG program has proven successful in helping property owners and tenants make high-impact exterior improvements to Downtown commercial property.
- The current program is scheduled to sunset at the end of August, 2019. Staff suggests reauthorizing the program for two years (Sept. 1, 2019 – Aug. 31, 2021).
- Minor adjustment suggested to align the program with the DMC's Retail Strategy; add "Targeted Retail Nodes" to the Downtown Core category (up to \$80,000 grant).

3. Modify the Development Loan Program.

- Changes made in 2018 have had the desired effect of making this loan product more attractive to emerging developers and smaller projects.
- Staff suggests a modification to balance financial risk to the CCDC with still aggressively supporting smaller development projects.
- Staff recommends leaving the interest rate at 1% and the maximum grant amount at \$200,000. However, staff suggests adding a requirement that the Development Loan should constitute no more than 25% of a project's overall development budget.
- Staff suggests authorizing the program for two years (Sept. 1, 2019 – Aug. 31, 2021).