



Chestnut  
Funds

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PILOT AMENDMENT REQUEST

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To: Downtown Memphis Commission

From: Chestnut Funds

Date: March 2022

Subject: Cycle Shop Redevelopment



421 Monroe Avenue, Memphis, Tennessee 38103

## Project Summary

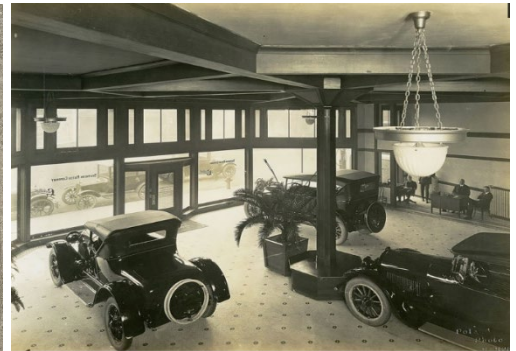
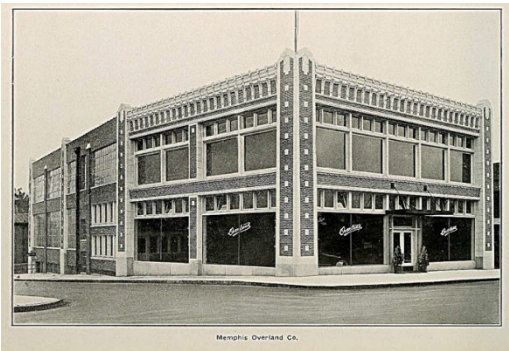
Project Name	Cycle Shop
Owner	Chestnut Cycle Shop QOZB, LLC
Project Description	Historic, adaptive reuse development of a four-story 29,250 square foot building. The asset was originally constructed in 1917.
Location	421 Monroe Ave Memphis, Tennessee
Square Footage	29,250 Total Square Footage 25,789 Rentable Square Footage
Project Intended Use	Office & Retail
Opportunity Zone	Yes
Timeline	Construction Commencement: April 2022 Lease Commencement: June 2023 (expected)
Developer	<p>Chestnut has hired Development Services Group as fee developer for the project. DSG has developed and operated real estate assets in markets across America for over 30 years. They have received numerous awards for their thorough understanding of how to deliver a successful adaptive reuse project.</p> <p>DSG has developed a Live Work Play neighborhood vision for the Edge District. All properties currently controlled by PGK were vacant upon acquisition, several for many years, with no other viable prospective use evident. PGK acquired the properties on the theory that a significant piece of the neighborhood must be developed concurrently in order to ensure that a quality neighborhood is realized on an appropriate timeline.</p>
Brokerage	Jones Aur Commercial Real Estate, Local to Memphis

Sources + Uses	Total \$	\$/SF
<b>Sources</b>	<b>\$6,369,402</b>	<b>\$218</b>
Construction Loan	\$3,750,000	\$128
Equity Investment	\$1,749,954	\$60
Historic Tax Credits	\$869,448	\$30
<b>Uses</b>	<b>\$6,369,402</b>	<b>\$218</b>
Land & Predevelopment	\$847,000	\$29
Hard Construction Costs	\$4,611,694	\$158
Furniture, Fixtures & Equipment	\$20,000	\$0.68
Soft Costs	\$348,208	\$12
Financing Costs	\$87,500	\$3
Development & Other Costs	\$455,000	\$16

## Section I: The Asset

Chestnut Funds, through Chestnut Opportunity Zone Fund, LP, a Qualified Opportunity Fund, acquired a vacant and historic building located at 421 Monroe Avenue in Memphis, TN in February 2020. The 29,250 square foot historic building, built in 1917, is located in the Edge District of Memphis, TN and is known as the “Cycle Shop”. The building is comprised of 25,787 leasable square feet and three floors. Additionally, the parking lot adjacent to the building provides an opportunity for the development of an additional 50,000+ square feet and five-story+ new building. While the Cycle Shop remains the priority in current redevelopment efforts, conversations are currently underway regarding future infill development of the parking lot.

The Cycle Shop project provides an opportunity for Chestnut’s Opportunity Zone Fund to create value in an otherwise obsolete building in a growing market. In addition to the Opportunity Zone designation, the project is eligible for historic tax credits and a payment-in-lieu-of-taxes (PILOT) program. Prior to acquisition in December of 2018, DSG applied for and received a PILOT tax abatement for the parcel as part of the Downtown Memphis Commission’s targeted initiative to redevelop blighted neighborhoods. Since acquisition, Chestnut Funds pursued historic designation for the property, which would make it eligible for historic tax credits, and in April 2021 we received the National Park Service Determination Letter officially listing the building on the Historic National Register. Comments on Part 2 application with National Park Service have been received and resubmittal is currently underway. In addition to these incentives, the project is under review for a façade grant from the Memphis Medical District Collaborative.



The building was built in 1916 for Memphis Overland Company. Established in 1903, the company was started by Claude Cox and sold and serviced automobiles and auto parts. After WWI the building was leased to a handful of auto companies until 1935 in which Hemphill Diesel School operated in the space for over 20 years, training diesel mechanics. In 1962 it was sold to the Amagliani brothers – John, Mike, Gene, Joe, and Frank – who opened Memphis Motorcycle Co. Memphis Motorcycle Co. was one of the first Schwinn dealerships, selling Schwinn bicycles, Henderson motorcycles, and Whizzer motorbikes, as well as some Indian brand motorcycles. The store also distributed bike parts throughout the Southeast. The Cycle Shop building later became the first Cadillac dealership in Memphis. The Amagliani family sold the building in 2015 to PGK Properties, LLC. Chestnut purchased the building from PGK in February 2020.

Chestnut’s plan for the property includes a significant renovation of the exterior and interior of the building, breathing life into what is now one of several remaining buildings in the Edge District in need of redevelopment. Chestnut’s leasing strategy includes office space on the second floor, ground floor retail or restaurant space to animate Monroe Ave and appropriate tenants such as fitness studios or businesses with storage needs on the lower level.

## Section II: Development Partner



Chestnut hired Development Services Group as fee developer for the project. DSG has developed and operated real estate assets in markets across America for over 30 years. They have received numerous awards for their thorough understanding of how to deliver a successful adaptive reuse project. A few of these projects include Le Meridien Tampa, Le Meridien Philadelphia, and One Commerce Square in Memphis. Gary Prosterman, President and CEO, and Ethan Knight, VP of Development, will be the DSG team members leading this project. These individuals see opportunities instead of setbacks and pitfalls.

They have experience working through complicated transactions including new market tax credits, historic tax credits and a variety of forms of financing. Their expertise in these areas will be key to the successful delivery of the redeveloped asset to market. DSG has been and remains the driving force in the development of the Edge District, having developed several notable properties and currently involved in the development of several others.

### Section III: Memphis

Memphis' population is projected to increase 10% by 2040, representing the largest increase since 1960. Household growth is projected at 0.4% per year for Shelby County, or about 1,300 new households per year in the City between now and 2040. This provides the opportunity to direct population growth in a way that supports existing neighborhoods, employment centers, available infrastructure, and the transit system.

Short-term City and regional infrastructure plans are already being rolled out and are focused on directing resources to address critical needs in existing neighborhoods and economic development target areas. This includes major road improvements, repaving existing streets, bridge maintenance, bicycle and pedestrian improvements and refocusing on the maintenance of the existing sewer system, rather than continuing the historic pattern of outward expansion.

Community leaders have been aggressive in creating public-private partnerships to drive better outcomes for the citizens of Memphis. Included in those initiatives is Memphis 3.0, Memphis Medical District Collaborative, The Edge, and many others. Federally, Memphis is home to 30 census tracts located within Opportunity Zones. As these programs create new opportunities and bring new stakeholders to the table, we believe they will build a unique investment project that will succeed both financially and in the community.

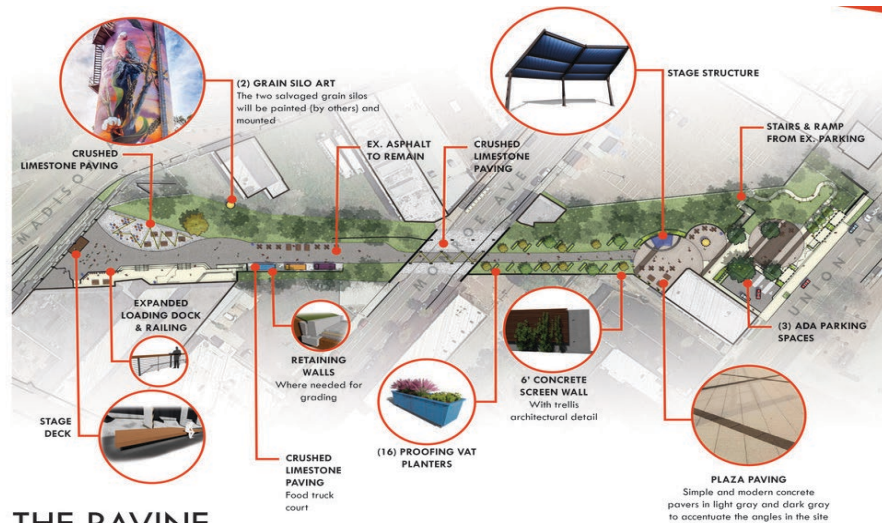
#### *The Edge*

The Edge serves as the heart of the Memphis core both geographically and by virtue of the major transit arteries which pass through and border it. Anchored on one end by Sun Studio and AutoZone Park on the other, The Edge has been an intersection of industry and culture since the city's earliest days. It's odd, zig-zag streets and alleys (which were laid out to accommodate railroads in the 1800s) are lined with industrial buildings turned into studios for craftsmen and creatives, several auto repair shops, and boundless potential. From its earliest beginnings as a railroad hub, this area has been utilitarian - where things get done. For years, this was a forgotten neighborhood, but sandwiched by growth in the Medical District and the vibrant Downtown Core, all eyes are now on The Edge as businesses like High Cotton Brewery, Edge Alley, Premiere Palace, and restaurants on Madison - Trolley Stop, C Lou Patton, Sabor Caribe and Evelyn & Olive – have all become Downtown staples.



Cycle Shop benefits from the revitalization that is happening in the Edge District including The Ravine project. Our partners, DSG, are leading the [\\$5M Ravine project](#) that repurposes an abandoned rail spur into public green space designed for “community, recreation, and artistry”, says Ethan Knight of DSG.

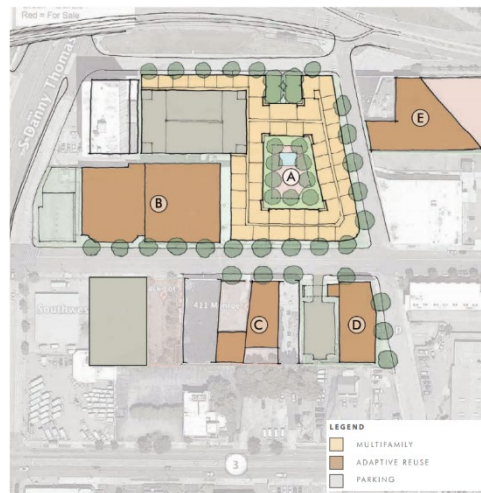




## THE RAVINE

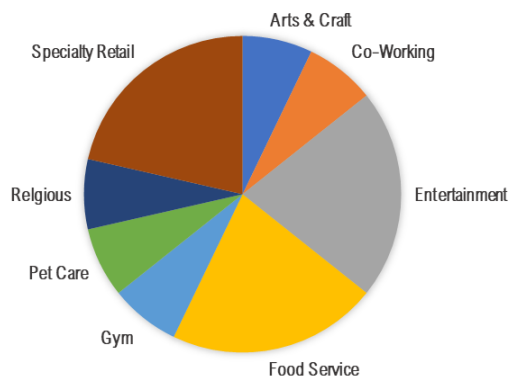
significant piece of the neighborhood must be developed concurrently in order to ensure that a quality neighborhood is realized on an appropriate timeline. The following addresses were proposed to be redeveloped and significantly improved as a result of receiving the PILOT, granted in December of 2019.

- A - 400 Monroe (eastern portion of Wonder Bread bakery), 199 new construction market-rate, class-A apartments and a 480-space parking garage. DSG identified partners as SWH Partners, Atlanta apartment developers, as co-developer; Looney Ricks Kiss, architect; and Montgomery Martin Contractors.
- B - 400 Monroe, a section of Wonder Bread factory in "excellent condition" will be converted to 75,000 square feet of premier office space and retail. Headquarters of a 120-employee financial services firm from outside Memphis would occupy the office space.
- C - 411 Monroe will be restored as 17,000 square feet of premier office space
- D - 421 Monroe, the Cycle Shop, will be a 27,000-square-foot mixed use renovation – Chestnut is working with DSG to realize this component of the Master Plan.
- E - 435 Madison, former glass factory, will be renovated as 35,000-square-foot office and recreational space.



<b>(A) The Bakery Site - 400 Monroe Ave.</b>	
Multifamily	
New Construction	5-6 Stories
GSF Per Floor	54,402sf
Total GSF	297,119sf
NSF (82% ER)	221,195sf
Units (892sf Avg.)	284 Units
Parking Structure	401 spaces provided
<b>(B) Reuse of West Bakery - 400 Monroe Ave.</b>	
Adaptive Reuse	
Total GSF - "Cadillac"	±21,325sf
1 Story + Basement	
Total GSF - Remaining Bakery	±62,000sf
2 Stories + Basement	
<b>(C) Paint Shop - 411 Monroe Ave.</b>	
Adaptive Reuse	
GSF Per Floor	±9,488sf
<b>(D) Cycle Shop - 421 Monroe Ave.</b>	
Adaptive Reuse	
GSF Per Floor	±10,400sf
Surface Parking	20 Spaces
<b>(E) Glass Factory - 435 Madison Ave.</b>	
Adaptive Reuse	
GSF Per Floor	±16,726sf

Sample Allocation of Current Tenants on Monroe Ave



## Section VI: Community Need and Project Impact

The Cycle Shop presents a transformative investment opportunity to redevelop a historic building and to activate the area with community centered organizations, entrepreneurial businesses, and/or engaging retailers. The master plan will not only bring revitalization to a central area of the city, but it will also provide housing and services within walking distance to key anchor institutions. The Cycle Shop is located in the Memphis Medical District, which is served by the non-profit MMDC, Memphis Medical District Collaborative. MMDC currently has eight major institutional partners working together to create opportunity for the area. Those community partners include Baptist College of Health Sciences, Le Bonheur Healthcare, Memphis Bioworks Foundation, Regional One Health, Southern College of

Optometry, St. Jude, Southwest TN Community College, and UT Health Science Center. Cycle Shop adds to the desired activation and vibrancy sought by MMDC partners.

The desired impacts for this project include job creation through construction and by tenants, productive reuse of the historic building, environmental stewardship through redevelopment, access to goods and services, equity in opportunity, and further catalyzation of the Memphis Medical District.

### Section VII: Development Plan and Investment Strategy

Chestnut's plan for the redevelopment of Cycle Shop is to begin construction in April 2022 on core and shell work to stabilize the building. The estimated cost for this first phase of work is \$2,105,270. The work that will be performed includes historic preservation and repair including minor demolition of exterior masonry infill, windows and storefront openings required for new storefront, asbestos abatement and lead paint removal, removal of boiler and furnace, concrete restoration, parapet bracing, and framing and trim to replicate original wood transoms, masonry restoration and lintel replacement, new roof, and new storefront. We believe this work will significantly better position the property to attract tenants which has been a hurdle thus far in its current condition. Following the initial scope of work, Chestnut intends to begin work on major systems and interior build out once enough tenancy is secured.

Montgomery Martin Contractors (MMC) have been contracted for the renovation and preservation of Cycle Shop. MMC is a well-known local Memphis contractor that has been heavily involved in the development of downtown Memphis, and especially the Edge District. They have a successful track record of delivering quality projects especially in historic renovation, green building, and incorporating WMBE partners in their scope of services. Some of their well-known projects local to Memphis include AutoZone Park, The Edge Motor Museum, ARRIVE Memphis, Shelby Farms Park, the First Tennessee Foundation Visitors Center at Shelby Farms Park, Tennessee Brewery, and The James Lee House to name a few.

### Section VIII: Work Done to Date

Closing of land took place February 2020 just weeks prior to the COVID shutdowns. Since acquisition, we have completed due diligence, including a structural condition assessment, historical compliance assessments, refreshed the front façade by adding temporary windows and installed large façade mural to animate the space while finalizing construction drawings and budgets.



Despite unprecedented times, we filed for our Historic Preservation status in May 2020. However, it wasn't until April of 2021 that we were successfully awarded Historic preservation status by the State Historic Preservation Office and placed on the national register of Historic Places. At the start of the pandemic, NPS staff shifted to working remotely and unfortunately as a result our project review times were much longer than expected. Our historic preservation consultant indicated these delays were happening across other projects she advised. Once part 1 was approved in April 2021, we submitted our Part 2 application. Comments were received for Part two late 2021. Because of the intricate detail of the building façade, much time was spent with our GC and design team to ensure our

designs would be suitable to National Park Service. Part 2 was submitted in February 2022. The review timelines of our pending historic applications were much longer than we expected and certainly due to the pandemic. As a result, it has proved to be difficult to finalize design documents and budgets. With our February re-submittal responding to Part 2 comments, we feel confident we provided detail and designs that will be approved by NPS. As a result, we finalized plans, submitted for permit which was approved March 10th and is ready to be picked up by the GC.

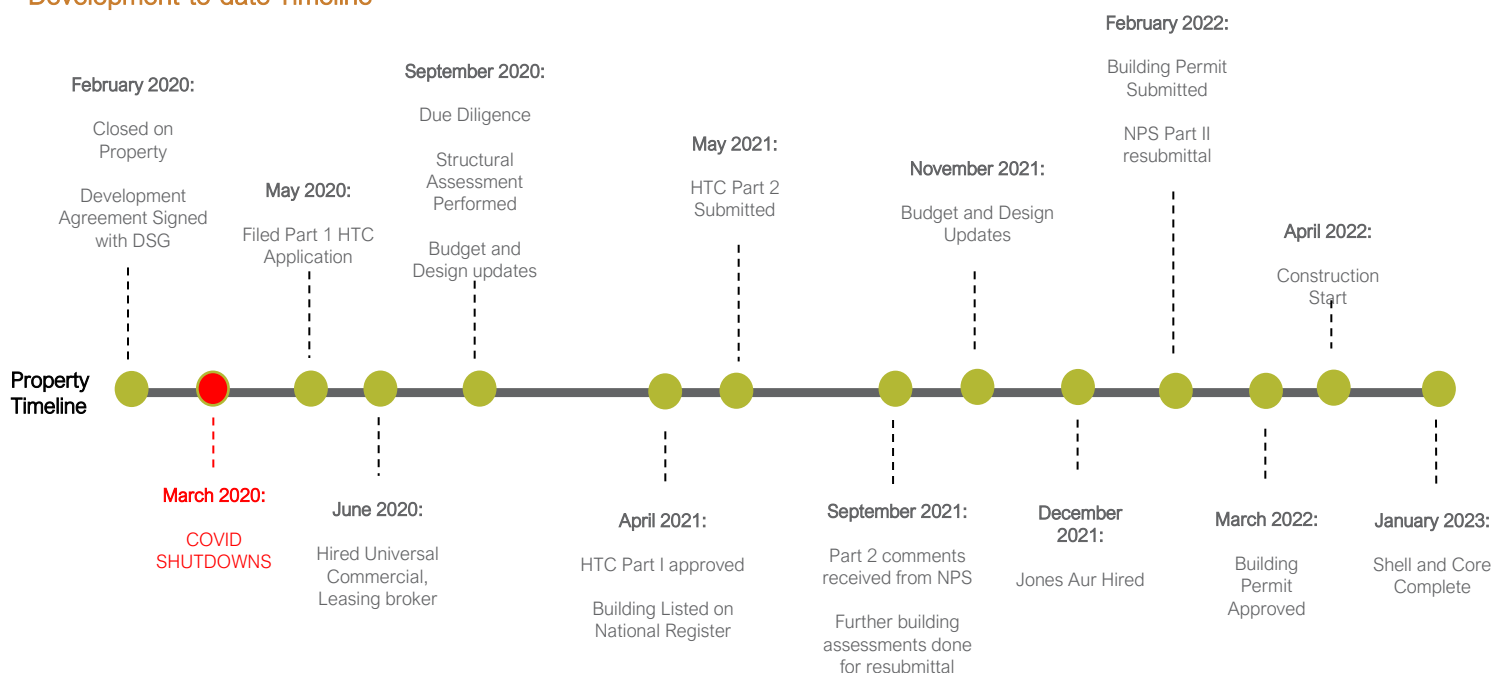
Our leasing activities ran concurrently with the HTC submittal. In the spring of 2020, we hired a local Memphis leasing broker, Universal Commercial which brought many leads to the building but unfortunately no commitments. We found it difficult to get commitments while the pandemic presented an unpredictable future for local business owners. Potential tenants were faced with trying to navigate staying in business, anticipate potential future space needs, ensure employee health, all while Memphis' Safer at Home Executive Order was issued March 24, 2020, and was in effect on an off throughout the pandemic. Despite the ongoing impacts from the pandemic, Universal Commercial led over 30 tours of the property, and sent out 8 LOIs. As the vaccine rolled out, interest spiked only to stall a bit as the omicron variant rolled over the country. At the end of 2021 with no advanced tenant interest, we brought on a new brokerage team Jones Aur, another local Memphis team, to bring a fresh start to leasing.

Construction costs have been a considerable hurdle for this project in due because of COVID shutdowns, material and worker shortages, and supply chain challenges. Since closing our budget has increased by 40%. The historic status of the building has also increased construction costs, and while this was expected, the uptick was significantly more than expected. Chestnut Opportunity Zone Fund has an internal commitment, in addition to the PILOT requirement, to ensure the hire of Minority, Women, and Veteran-Owned subcontractors to meet 25% of the construction contract. We are fortunate that Montgomery Martin Contractors, a local Memphis GC, have the resources and contacts available to meet this. This was a premium we were prepared to pay for but once again, was higher than expected and added an additional \$45,000 to the budget.

Chestnut intends to exceed all EBO / MWBE requirements as outlined by the Downtown Memphis Commission EBO policy. General Contract Montgomery Martin Contractors (MMC) has extensive experience partnering with minority and woman-owned business enterprises who understand the technical challenges restoring historic buildings, and MMC will continue to bolster these partnerships to complete the Cycle Shop Project.

In the initial phase of the construction, masonry restoration is a substantial scope of work and will be subcontracted to an M/WBE partnership. In later phases of construction, additional M/WBE subcontractors will perform various aspects of the project.

## Development-to-date Timeline



## Section VIII: Due Diligence Updates

- Environmental:** A Phase I environmental site assessment was completed by Tioga Environmental Consultants which identified three recognized environmental conditions (RECs); historical use of the property as a Cadillac dealership, diesel mechanic school, and automotive paint and body shop; the historical location of a gasoline tank on the western adjoining property; and the documented release and remediation of petroleum on the north adjoining property. A Phase II report was then performed and four sub-slab vapor samples at the property were submitted for laboratory analysis. Lab results did not identify



any constituent of concern at concentrations above the EPA Target Sub-slab Concentrations for a residential or commercial scenario. Tioga confirmed that no further assessment was necessary. Lastly an ACM survey was completed on site which resulted in the presence of asbestos-containing materials found throughout the building. The asbestos was limited to roof, mezzanine, and boiler room areas. The removal is routine, and the cost of removal is included in the construction budget provided by Montgomery Martin General Contractors.

- **Physical:** A property condition assessment was completed in September 2020. The report cited that there were no apparent or observed foundation issues at the structure. The exterior walls of the building consist of unreinforced masonry infill, brick veneer, and cast stone ornaments throughout much of the perimeter of the building. Most of the masonry infill will be removed with the historic preservation of the building and be replaced with storefront that mimics the original storefront that at one time was removed in line with our HTC approval. Much of the cast stone, terra cotta cladding, and brick veneer will be secured, repaired, and replaced and its costs are included in our construction budget and contract from Montgomery Martin. The roof slab will also require attention and beam repair in conjunction with the repairs of the brick lintels on the exterior. The roof membrane will be replaced with the core and shell construction work.
- **Survey:** The survey, completed by Milestone Land Surveying, Inc., revealed no encroachments by the property onto any adjoining property. The property is not located within a flood zone.
- **Zoning:** The current zoning of the property is CBID/Sports and Entertainment. This favors retail and active uses.

#### Section VIII: Opportunity Zone Compliance

The property falls within census tract 114, located in the City of Memphis (Shelby County, TN), and is in an Opportunity Zone. The building has been vacant for more than five years. Therefore, there is no requirement to substantially improve the building, and the property is treated as vacant land. Nevertheless, the basis in the land and building will be \$610,000, and the budget includes improvements to the building greater than 50% of the basis. C, the substantial improvement test is also met.

#### Project Budget

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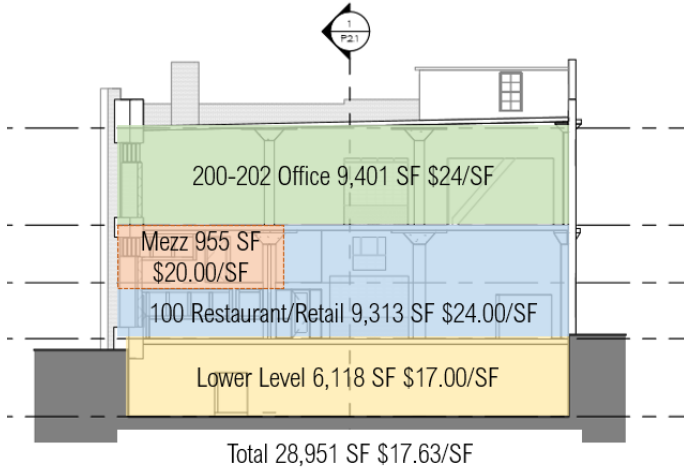


			Amount	Per RSF	% of Total
<b>Land &amp; Predevelopment</b>					
Existing Land (Incl. Acquisition, Cleanout, PILOT, Carry)	\$		785,000	\$ 26.84	12.32%
Predevelopment Costs	\$		62,000	2.12	0.97%
<b>Total Land &amp; Related</b>	<b>\$</b>		<b>847,000</b>	<b>\$ 28.96</b>	<b>13.30%</b>
<b>Hard Construction Costs</b>					
Initial Shell Construction	\$	72	\$ 2,105,270	71.98	33.05%
Remainder of White Box Work	\$	50	\$ 1,450,815	49.60	22.78%
<b>Total Core and Shell (2-14-2022 Estimate)</b>	<b>\$</b>		<b>3,556,085</b>	<b>121.58</b>	<b>55.83%</b>
<b>Tenant Improvement Work</b>					
First Floor Buildout	\$	35	\$ 350,000	11.97	5.50%
Second Floor Buildout	\$	35	\$ 350,000	11.97	5.50%
10% Contingency	\$		355,609	12.16	5.58%
<b>Total Direct Construction Costs</b>	<b>\$</b>		<b>4,611,694</b>	<b>\$ 157.66</b>	<b>72.40%</b>
<b>Furniture, Fixtures &amp; Equipment</b>					
FFE (Misc)	\$		20,000	0.68	0.31%
	<b>\$</b>		<b>20,000</b>	<b>\$ 0.68</b>	<b>0.31%</b>
<b>Soft Costs</b>					
Architectural / Structural / MEP / Design Fee	\$		70,000	2.39	1.10%
Survey	\$		4,000	0.14	0.06%
Legal Fees	\$		80,000	2.74	1.26%
Appraisal	\$		7,500	0.26	0.12%
Environmental Testing	\$		20,000	0.68	0.31%
Taxes Insurance During Construction	\$		12,708	0.43	0.20%
Inspections	\$		24,000	0.82	0.38%
Miscellaneous General & Administrative	\$		15,000	0.51	0.24%
Soft Cost Contingency	\$		50,000	1.71	0.79%
Operating Deficit	\$		65,000	2.22	1.02%
<b>Total Soft Costs</b>	<b>\$</b>		<b>348,208</b>	<b>\$ 11.90</b>	<b>5.47%</b>
				0.00	0.00%
<b>Development and Other Costs</b>					
Loan Fee	\$		37,500	\$ 1.28	0.59%
Construction Interest Reserve	\$		50,000	1.71	0.79%
<b>Total Development and Other Costs</b>	<b>\$</b>		<b>87,500</b>	<b>\$ 2.99</b>	<b>1.37%</b>
<b>Development and Other Costs</b>					
Development Fee	\$		200,000	\$ 6.84	3.14%
Construction Management	\$		75,000	2.56	1.18%
Broker Commission	\$		180,000	6.15	2.83%
<b>Total Development and Other Costs</b>	<b>\$</b>		<b>455,000</b>	<b>\$ 15.56</b>	<b>7.14%</b>
<b>Total Development Cost</b>	<b>\$</b>		<b>6,369,402</b>	<b>\$ 217.76</b>	<b>100.00%</b>

## Revenue & Leasing Plan

Our goal for Cycle Shop is to attract tenants that can activate and enrich the neighborhood. Whether it be creative office space or a new, local restaurant concept, the intention of the development is to continue to activate the Edge District and bring access to additional goods and services.

We are focusing our efforts on securing tenants for the building who are looking to create quality jobs and provide living wages, provide goods and services, and tenants who have an overall interest and benefit to the Edge. Our goal is to further play off the existing artistic flair of the businesses and restaurants redefining the area today.



Jones Aur, a local Memphis brokerage firm, was brought on for brokerage services at the beginning of 2022. We received numerous inquiries from potential tenants but as the second year of the pandemic closed, we had yet to convert any office and retail inquiries to leases as the pandemic hit these two sectors most heavily.

Chestnuts leasing strategy include office space on the second floor, ground floor retail or restaurant space to animate Monroe Ave and more office or maker space or fitness use on the lower level.

The below chart outlines the weighted average leasing assumptions we would like to achieve.

### UNIT MIX SUMMARY

Suite	Tenant	Level	% of BLDG	Rentable Sq. Ft.	Full Service Rate	Annual Rent
Lower Level	TBD	LL	23.7%	6,118	\$17.00	\$104,006
Restaurant	Restaurant	L1	13.8%	3,548	\$24.00	\$85,152
Mezzanine	Office	Mezz	3.7%	955	\$20.00	\$19,100
Office Tenant 2	Office	L1	22.4%	5,765	\$24.00	\$138,360
Office Tenant 1	Office	L2	36.5%	9,401	\$24.00	\$225,624
<b>Total/Average</b>				<b>25,787</b>	<b>\$22.19</b>	<b>\$572,242</b>

## Operating Costs and PILOT

The Cycle Shop will benefit from its inclusion in the PILOT or Payment In Lieu of Taxes program. As one of the five parcels included in the initial PILOT application by DSG, the redevelopment of Cycle Shop is possible through these additional economic supports. Through this program real estate taxes will be significantly lower, providing the opportunity for more competitive leasing rates to spur leasing activity by keeping operating costs low. This is critical given the challenges the leasing team faces with significant and ongoing uncertainty from the pandemic, changing approaches to flexible/remote office work, and the transition of the neighborhood to attract credit-worthy tenants. Furthermore, given increased construction costs, additional historic preservation implications, and covid impacts on potential tenants and leasing, the PILOT and this amendment is even more necessary to bring the building back to its original condition and attract new uses that will activate the neighborhood.

## Parking Plan

Cycle Shop tenants will have access to a variety of parking options within a short 300 ft walk from the front door. The proposed Cycle Shop development will have 22 spaces available for tenant use. Metered, on-street parking along Monroe Ave

ensures convenient space availability for short term visitors and future café patrons. A 480-space structured parking deck is located immediately north of the Cycle Shop, located within the Rise Apartments, with approximately 200 spaces available to the public for lease. 2 additional surface lots in the immediate vicinity provide with additional capacity for approximately 75 vehicles at a lower cost. Several businesses (Enterprise Rent a Car, Made in Memphis Entertainment, Don's Upholstery) in the immediate vicinity have spare parking capacity, and future agreements may be implemented as parking demand increases in the neighborhood.

### Section VIII: Capitalization

Chestnut intends to capitalize the redevelopment of Cycle Shop with a combination of equity capital from Chestnut Opportunity Zone Fund, equity from Historic Tax Credit monetization, and debt financing proceeds.

#### Sources

<i>Equity</i>		\$	1,749,954	27.5%
<i>20% Historic Credit @ 15% Discount</i>		\$	869,448	13.7%
<i>Debt/Other Capital</i>	3.50%	\$	3,750,000	58.9%
<b>Total Sources</b>		<b>\$</b>	<b>6,369,402</b>	<b>100.00%</b>

#### Uses

Land & Predevelopment		\$	847,000	13.30%
Hard Construction Costs		\$	4,611,694	72.40%
Furniture, Fixtures & Equipment		\$	20,000	0.31%
Soft Costs		\$	348,208	5.47%
Financing Costs		\$	87,500	1.37%
Development & Other Costs		\$	455,000	7.14%
<b>Total Uses</b>		<b>\$</b>	<b>6,369,402</b>	<b>100.00%</b>

### Debt Financing

Chestnut seeks debt financing in an amount up to 60% of total project costs. An initial amount of funds would be advanced for the initial improvements with the balance advanced during the interior build out portion of the redevelopment.

### Equity

Chestnut Opportunity Zone Fund acquired the Cycle Shop without debt financing and has invested \$847,000 thus far in acquisition and other soft pursuit costs including due diligence, building inspections, construction drawings, Historic Tax Credit Consultant, murals, and new glass to enhance the street presence of the building. Chestnut will utilize Opportunity Zone equity capital for the balance of the capitalization.

### Historic Tax Credits

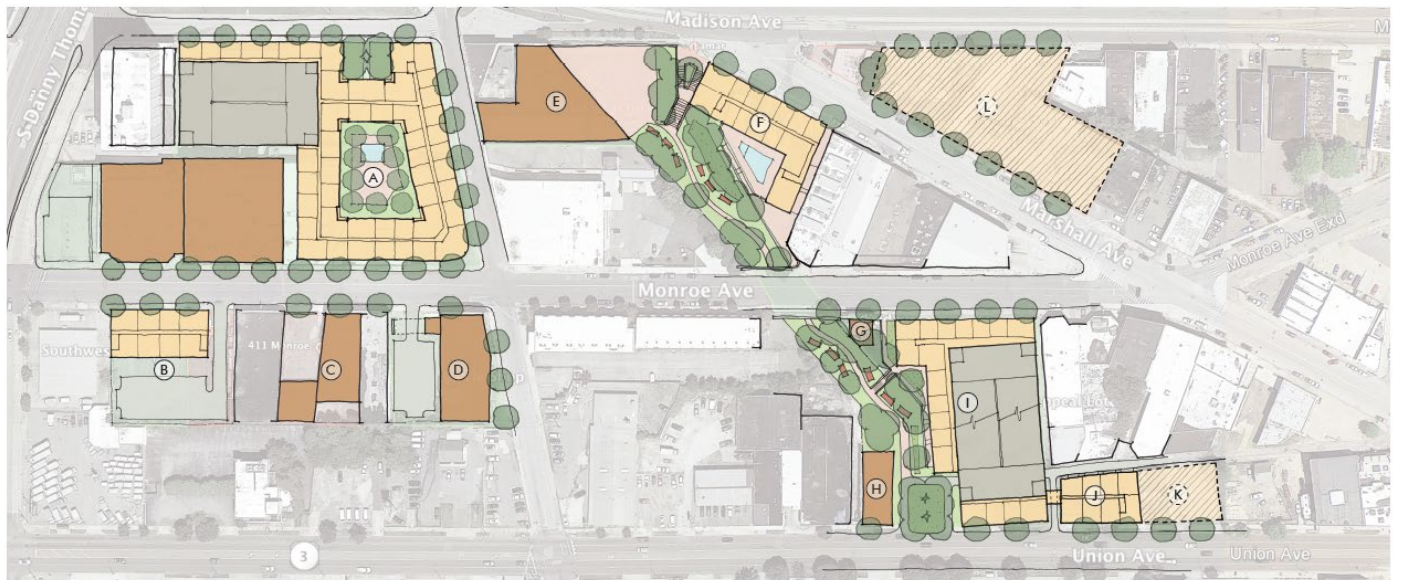
Chestnut intends to monetize the Historic Tax Credits that will be available as a result of the Cycle Shops historic designation and the redevelopment that will be in keeping with the original and historic elements of the architecture of the building.

<b>Qualified Rehabilitation Expense</b>	<b>\$</b>	<b>5,114,402</b>
HTC Rate		20%
Gross Value of HTC	\$	1,022,880
PV Discount to HTC for Liquidation		85%
<b>Net Value of HTC at Close</b>	<b>\$</b>	<b>869,448</b>



Appendix I: Architectural Rederings and Site Plans





#### A The Bakery Site

Multifamily  
New Construction 5 Stories  
GSF Per Floor 53,950sf  
Total GSF 269,750sf  
NSF (82% Eff.) 221,195sf  
Units (82sf Avg.) 267 Units

Parking Structure  
74 Spaces per level  
401 spaces required (1.5 per unit)  
5.5 levels required

#### B Southwest Lot & Back Lot

Multifamily  
New Construction 4 Stories  
GSF Per Floor 8,650sf  
Total GSF 34,600sf  
Ground Floor Commercial 8,000sf  
NSF Residential (82% Eff.) 21,279 Units (86sf Avg.)  
Surface Parking 28 spaces

#### C 411 Monroe

Adaptive Reuse  
GSF Per Floor  $\approx 9,488sf$

#### D Cycle Shop

Adaptive Reuse  
GSF Per Floor  $\approx 10,400sf$   
Surface Parking 20 Spaces

#### E Glass Factory

Adaptive Reuse  
GSF Per Floor  $\approx 16,726sf$

#### F 571 Marshall

Multifamily  
New Construction 4 Stories  
GSF Per Floor 15,300sf  
Total GSF 61,200sf  
NSF (82% Eff.) 60,184sf  
Units (83sf Avg.) 60 Units

#### G Kudzu's

Existing Retail Use  
GSF Per Floor  $\approx 1,900sf$   
GSF Total  $\approx 4,500sf$

#### H Etkins

Adaptive Reuse  
GSF Per Floor  $\approx 4,500sf$

#### I Comm Appeal Lot

Multifamily  
New Construction 4 Stories (Monroe)  
GSF Per Floor 18,250sf  
Total GSF 77,200sf  
Grnd Flr Comm. 6,000sf (Monroe)  
NSF Residential (82% Eff.) 55,924sf  
Units (83sf Avg.) 67 Units

Parking Structure  
80 Spaces per level

#### J 620 Union

Multifamily  
New Construction 4 Stories  
GSF Per Floor 8,050sf  
Ground Floor Commercial 5,000sf  
NSF Residential (82% Eff.) 19,803sf  
Units (82sf Avg.) 24 Units

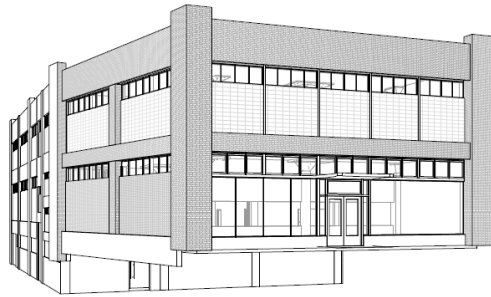
#### K 634 Union

Multifamily  
New Construction 4 Stories  
GSF Per Floor 9,200sf  
Ground Floor Commercial 5,000sf  
NSF Residential (82% Eff.) 22,633sf  
Units (94sf Avg.) 24 Units

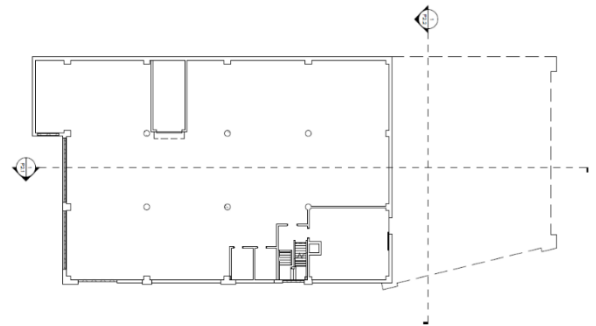
#### L Presidents & Feingold

Multifamily  
New Construction 4 Stories  
GSF Per Floor 20,350sf  
Total GSF 81,400sf  
NSF (82% Eff.) 66,748sf  
Units (82sf Avg.) 80 Units

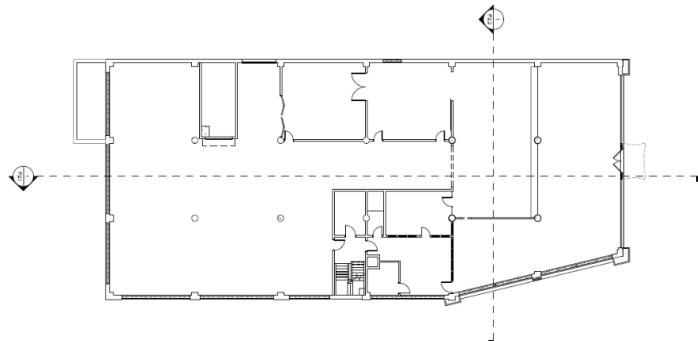
Parking  
At grade 40 spaces  
1 level parking deck 40 spaces



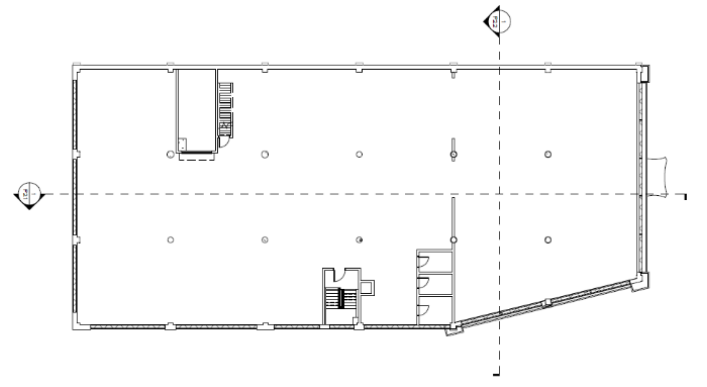
EXTERIOR PERSPECTIVE



FLOOR PLAN - BASEMENT



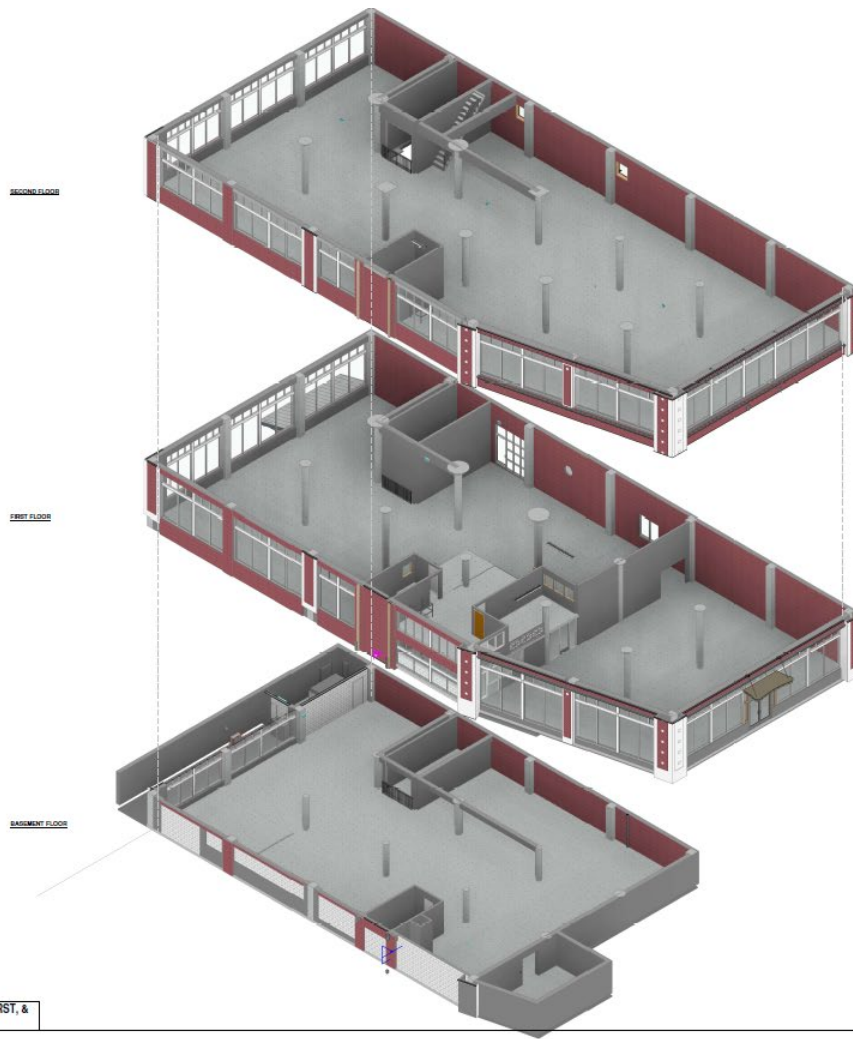
FLOOR PLAN - LEVEL 01



FLOOR PLAN - LEVEL 02







D1 ISOMETRIC - PLAN VIEW BASEMENT, FIRST, & SECOND FLOOR

NOTE: THE ISOMETRIC VIEW IN THIS SHEET ARE PROVIDED FOR VISUALIZATION PURPOSES ONLY, AND SHALL NOT BE USED TO DEFINE THE SCOPE OF WORK. REFER TO PLANS AND SPECIFICATIONS FOR CONSTRUCTION DOCUMENTATION.



Appendix II: Pro Forma

Cycle Shop / Edge  
Annual Operating Pro Forma

		Total RSF 27,000		Restaurant RSF 10,000													
		Lease Up				Stabilized											
Project Year		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10			
Months in Projection Period		3	3	3	3	12	12	12	12	12	12	12	12	12			
Potential Gross Income	Annual																
Base Rental Income																	
Average Monthly Rental	\$572,042	\$ 47,687	\$ 47,687	\$ 47,687	\$ 47,687	\$ 49,358	\$ 51,063	\$ 52,871	\$ 54,722	\$ 56,637	\$ 58,619	\$ 60,671	\$ 62,794	\$ 64,992			
Months of Operation		3	3	3	3	12	12	12	12	12	12	12	12	12			
Total - Base Rental Income		\$ 143,061	\$ 143,061	\$ 143,061	\$ 143,061	\$ 592,270	\$ 613,000	\$ 634,455	\$ 656,661	\$ 679,844	\$ 703,432	\$ 728,052	\$ 753,533	\$ 779,907			
Parking - Attached Lot	\$0.00																
Total		\$ 143,061	\$ 143,061	\$ 143,061	\$ 143,061	\$ 682,270	\$ 613,000	\$ 634,455	\$ 656,661	\$ 679,844	\$ 703,432	\$ 728,052	\$ 753,533	\$ 779,907			
Less: Vacancy & Collection Loss	% of P.G.I.→	50.00%	35.00%	25.00%	10.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%			
		71,530	50,071	35,765	14,306	29,614	30,650	31,723	32,833	33,982	35,172	36,403	37,677	38,995			
Effective Gross Income		\$ 71,530	\$ 92,989	\$ 107,296	\$ 128,754	\$ 682,657	\$ 682,350	\$ 692,732	\$ 722,828	\$ 645,682	\$ 688,260	\$ 691,649	\$ 716,867	\$ 740,912			
Less: Operating Expenses (See Open Sheet for Detail)	W 2 - FY17/Year																
Real Estate Taxes (PILOT)	\$0.01	5,145	5,145	5,145	5,145	25,443	26,334	27,256	28,210	29,197	30,219	31,276	32,371	33,504			
Payroll Expense (part time)	\$0.74	5,000	5,000	5,000	5,000	20,700	21,425	22,174	22,950	23,754	24,585	25,446	26,336	27,258			
Management Fees (% of E.G.I.)	3.0%	2,145	2,790	3,219	3,863	16,680	17,470	18,282	19,115	19,370	20,048	20,749	21,476	22,227			
Parking	\$0.00	-	-	-	-	-	-	-	-	-	-	-	-	-			
Contract Services	\$1.84	12,438	12,438	12,438	12,438	51,491	52,293	53,159	57,089	59,087	61,155	63,296	65,511	67,804			
Repairs and Maintenance	\$0.19	1,250	1,250	1,250	1,250	5,175	5,398	5,544	5,738	5,938	6,148	6,361	6,584	6,814			
General OpEx	\$0.08	523	523	523	523	2,163	2,239	2,317	2,398	2,482	2,569	2,659	2,752	2,848			
Utilities	\$2.09	14,125	14,125	14,125	14,125	58,478	60,524	62,943	64,835	67,104	69,453	71,884	74,400	77,004			
Insurance	\$0.30	2,025	2,025	2,025	2,025	8,384	8,677	8,981	9,295	9,620	9,957	10,305	10,666	11,039			
Capital Reserves	\$0.25	1,688	1,688	1,688	1,688	6,988	7,231	7,484	7,748	8,017	8,297	8,588	8,888	9,200			
Total (Project Year 2, Stabilized per Unit = )	\$7.00	45,339	45,983	46,412	47,059	195,700	202,540	209,838	216,976	224,570	232,430	240,565	248,985	257,699			
Net Operating Income	\$ 14.07	\$ 28,181	\$ 47,006	\$ 180,000	\$ 81,899	\$ 368,957	\$ 379,801	\$ 388,064	\$ 406,862	\$ 421,082	\$ 435,830	\$ 451,084	\$ 466,872	\$ 483,213			
GROWTH RATE ASSUMPTIONS																	
Potential Gross Income Annual Increase		3.50%		3.50%		3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%			
Operating Expenses Annual Increase		3.50%		3.50%		3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%			
Net Operating Income	\$14.07	\$ 28,181	\$ 47,006	\$ 180,000	\$ 81,899	\$ 368,957	\$ 379,801	\$ 388,064	\$ 406,862	\$ 421,082	\$ 435,830	\$ 451,084	\$ 466,872	\$ 483,213			
Mortgage Interest Expense	\$ 4.55	\$ 32,743.87	\$ 32,536.97	\$ 30,308.26	\$ 32,117.72	\$ 128,208.27	\$ 122,808.84	\$ 119,164.23	\$ 115,390.00	\$ 111,481.52	\$ 107,434.04	\$ 103,242.59	\$ 98,902.07	\$ 94,407.17			
Net Income		\$ 6,662.78	\$ 14,486.42	\$ 147,671.74	\$ 48,880.84	\$ 240,628.91	\$ 256,991.84	\$ 273,929.48	\$ 291,461.99	\$ 308,610.29	\$ 328,395.99	\$ 347,841.48	\$ 367,996.84	\$ 388,805.98			
Mortgage Principal Expense							\$8,952.33	\$12,471.77	\$16,116.37	\$19,890.61	\$13,799.08	\$17,845.57	\$22,038.01	\$26,378.53	\$30,873.43		
Debt Coverage Ratio			1.445	5.588	2.544	1.629	1.688	1.745	1.806	1.869	1.935	2.002	2.072	2.145			
Senior Debt Coverage Ratio																	
Partnership Expenses (F and E tax, acct)			1000	1500	1500	4000	4120	4243.8	4370.908	4502.03524	4637.096297	4776.209186	4919.495482	5067.080326			
DISTRIBUTABLE CASH**	(\$6,553)	\$13,409	\$148,172	\$48,081	\$137,677	\$150,400	\$163,570	\$177,200	\$191,309	\$205,912	\$221,027	\$236,672	\$252,865	\$269,695			

### Appendix III: About Chestnut Funds

Chestnut Funds was founded in 2012 to sponsor and manage funds that invest in smaller and middle market commercial real estate properties. Chestnut's funds make investments that are generally too small for institutional investors but too large for a sponsor to efficiently source capital.

Chestnut accesses investments and manages the day-to-day operations of properties utilizing operating partners. These partners possess significant expertise gained through a focus on a single property type or market. Leveraging this experience allows Chestnut Funds to make investments in multiple markets and product types.

Chestnut Opportunity Zone Fund is committed to making real estate investments that align with community need and optimize the value of financial and social returns. Impact priorities for the fund include: Job Creation; Access to Goods & Services; Environmental Stewardship; Equity in Opportunity; and Catalytic Impact.

Members of the Chestnut Team include:

#### Steen Watson, Chief Executive Officer

Steen began his commercial real estate career in 2004 at Trammell Crow Company and CBRE in Washington, DC, with a focus on disposition and advisory efforts for commercial real estate assets in the District of Columbia, Northern Virginia, and Suburban Maryland on behalf of institutional clients. During his tenure, Steen participated in the disposition of approximately \$3.7 billion of commercial real estate assets.

In 2009, Steen joined Baker Storey McDonald Properties, Inc. as Vice President of Investments. During his tenure, the firm acquired over \$45 million of retail properties in the Southeast U.S. for which Steen was responsible for securing equity and debt financing along with structuring the acquiring partnerships. Additionally, Steen had asset management responsibilities for a \$60 million retail portfolio. In 2012, Steen co-founded Chestnut Real Estate Funds. Steen is primarily responsible for sourcing and executing investment opportunities for the funds, as well as overseeing asset and portfolio management. Steen holds an MBA from Vanderbilt University as well as a BS in Political Science from Vanderbilt University.

#### Liza Soydan, Chief Operating Officer

In addition to serving as the firm's Chief Operating Officer and Chief Compliance Officer, Liza is a partner in the Chestnut Opportunity Zone Fund. Liza guides the team's efforts to define and implement firm and fund strategies. She works to ensure alignment between the firm's priorities, fund commitments, and values. Liza draws upon a career spent in management consulting, strategic research, and impact measurement and reporting. Liza received a BBA in Marketing and an MBA from the University of West Georgia.

#### Courtney Watson, Fund Partner

Courtney is a partner in Chestnut Opportunity Zone Fund. She is a co-founder of Chestnut Catalyst Group, a woman-led firm that consults with capital groups, community organizations, non-profits, and businesses to drive social innovation across boundaries. Courtney is also a partner in the Chattanooga Renaissance Fund, a venture capital firm that has invested in early-stage, tech-enabled companies in the Southeast. She received a BS in Commerce from the University of Virginia and an MBA in Finance and Strategy from Vanderbilt University.

#### Jen Politano, Asset Manager

Jen serves as Chestnut's asset manager for Cycle Shop. Jen's primary responsibilities are interfacing with property managers and partners and managing development projects. Jen's background includes significant experience managing development projects at Hutton, a fully integrated commercial real estate firm. Jen attended Covenant College as an undergraduate and received a Master's in Public Administration, Government, and Nonprofit Management from the University of Tennessee at Chattanooga.

#### Laura Probasco, Finance Manager

Laura joined Chestnut in 2021 as Finance Manager. She began her career at KPMG, where she was a member of the Alternative Investments group, working primarily on tax compliance engagements for private equity clients before joining the firm's International Tax Desk in Paris, France. Laura later joined the Private Markets group at Invesco in Dallas, TX. At Invesco, she worked on financial reporting for various private equity funds. Laura received a BS in Business Administration from the

University of Tennessee at Knoxville and a MS in Accounting from the University of Virginia. She is a Certified Public Accountant.

#### Margaret Lowery, Investment Manager

Margaret is involved in the analysis and underwriting for Chestnut Funds and also assists in the management of the due diligence process for new investments. Prior to joining Chestnut in 2018, Margaret spent four years at Global Endowment Management, an outsourced chief investment office in Charlotte, North Carolina. Margaret received a BS in Marketing from the University of Georgia.

#### Hailey Johnston, Investor Relations Manager

Hailey manages investor communication and investment services for Chestnut. Additionally, she works with the funds' general partners on fundraising activities, capital management and marketing. Prior to joining Chestnut, Hailey served in the Peace Corps as a Health and Environmental Education Volunteer in Senegal, West Africa from 2011-2013. Hailey received a BS in Marketing and a minor in Art History from the University of Tennessee at Knoxville and an MBA from the University of Tennessee at Chattanooga.

#### Kennedy Griffin, Asset Manager

Kennedy's responsibilities include monitoring performance of fund assets to ensure investment strategies are implemented and coordinating leasing related matters. Kennedy received a BS in Political Science from Millsaps College and JD from Mississippi College School of Law.