

# Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)  
From: DMC Staff  
Date: March 2, 2021  
RE: PILOT Application: Conwood Development – Phase II (47 Keel & 0 Saffarans)

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The enclosed PILOT application has been submitted for consideration at the March 9, 2021, CCRFC Board Meeting.

**Project:** Conwood Development – Phase II (47 Keel & 0 Saffarans)

Applicant/Owner: Wolf River Harbor Holdings, LLC  
495 Tennessee Street, Suite 152  
Memphis, TN 38103

Project Representatives: William Orgel  
Tom Marsh  
Jay Lindy  
Adam Slovis

Applicant’s Request: 20-year PILOT lease for mixed-use commercial project & partial financing for public parking through the PILOT Extension Fund.

Included Parcels: Parcel ID 001047 00001 (47 Keel Ave.)  
Parcel ID 001047 00002C (0 Saffarans Ave.)

Overall Concept: The overall Snuff District development is approximately 65 acres of historic structures, industrial buildings, and vacant land. Buildings in the district generally date from 1912 to 1952.

The Snuff District master plan envisions a mix of multi-family, commercial, retail, office and recreational uses. An existing railroad trestle at Keel Avenue will be used as a gateway from a new public plaza along Front Street to a future river trail and linear park that will connect from this site south to Tom Lee Park.

In December 2019, the CCRFC approved a 20-year PILOT tax incentive in support of Conwood Phase I. The existing Conwood I building will be renovated from its previous factory and office use to include new mixed-use elements including ground-floor retail space, approximately 105 multifamily units and commercial office space.

Project Description:

This PILOT request is for Phase II of the Snuff District redevelopment plan, commonly known as Conwood II, or Conwood South.

Conwood II will include new construction of a 6-story mixed-use building on vacant land. The 3.22-acre site is located at 47 Keel and 0 Saffarans. This property is currently an empty lot just south of the existing Conwood I complex on the west side of Front Street. Conwood II will include a two-story public parking garage with 4 stories of multi-family above. The project will feature 292 rental apartments and approximately 10,900 sq. ft. of ground floor commercial space. The 420-space public parking garage will provide parking for the apartment residents, nearby office tenants, visitors to the ground-floor commercial space, visitors to the neighborhood, and patrons of the new event space at 61 Keel. The design of this mixed-use building draws inspiration from the existing warehouse structures surrounding the site while incorporating new materials.

Contingent on PILOT approval, the applicant will close on project financing and begin construction in Q2 2021 and be complete in Q2 2022.

Project Budget:

The total development cost of the project is approximately \$61,944,405. 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:**

Project debt	\$43,361,500	(70%)
Owner equity	\$15,076,615	(24%)
Parking garage funding	\$3,506,290	(6%)
<b>Total Sources</b>	<b>\$61,944,405</b>	<b>(100%)</b>

**Uses:**

Property purchase	\$0*	(0%)
Hard construction costs	\$54,758,664	(88%)
Soft costs	\$4,230,646	(7%)
PILOT closing fee	\$929,175	(1.5%)
Financing fees	\$1,690,920	(3%)
Other professional fees	\$335,000	(0.5%)
<b>Total Uses</b>	<b>\$61,944,405</b>	<b>(100%)</b>

*\*Property owned by Wolf River Harbor Holdings, LLC*

Project Grading: Per the PILOT scoring system, the project could achieve a grade in excess of the standard program cap of 15 years.

Primary Qualifications:

Residential (+51 units)	6 Years
Parking Structure (401-500 cars)	3 Years

Secondary Qualification:

Retail (10,000 – 14,999 sf)	1.5 Years
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Total Project Development Costs:

+\$20 Million	5 Years
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Priorities & Initiatives

Located within CBID	3 Years
+20% Poverty Rate Census Tract	2 Years

**Total: 20.5 Years**

Applicant's Request: The applicant is requesting approval of a 20-year PILOT. According to the applicant, approval of a PILOT is necessary for the project to be economically viable and attract financing.

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 PILOT 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 general contractors and tradespeople to perform the needed 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 a general contractor is identified, 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.
- Once the service providers have been identified, the applicant will submit the form titled “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:

The 25% minimum MWBE spending goal for this project will include the following estimated hard cost and professional fees:

Hard construction costs	\$54,758,664	(97.5%)
A&E fees	\$1,348,876	(2.5%)
<b>Total Uses</b>	<b>\$56,107,540</b>	<b>(100%)</b>

According to the above estimates, a 25% level of MWBE inclusion for the combined hard and soft costs will be approximately **\$14,026,885**.

Housing Policy:

This project will require compliance with the CCRFC’s Affordable Housing Requirement. Per the PILOT Program policies, multi-family developments with 51 or more units are subject to, and must be compliant with, DMC’s affordable

housing policy. Per the policy, at all times during the PILOT term, at least twenty percent (20%) of the residential units shall be occupied by or held available solely for individuals and families of low and moderate income such that the percentage of median gross income shall not exceed eighty percent (80%) of the median gross income for Shelby County, Tennessee.

Public Parking Garage:

In addition to a 20-year PILOT, this public-private partnership is proposed to include support from the CCRFC and the Downtown Mobility Authority (DMA) for a 2-story public parking garage with approximately 420 spaces. **The garage would be owned by the DMA and financed using the PILOT Extension Fund, contingent upon approval from the Memphis City Council, Shelby County Commission, City Mayor, County Mayor, CCRFC, and the DMA.**

The CCRFC/DMA (as lessor) would enter into a capital lease with the applicant (as lessee) which would outline the manner in which the garage would be constructed and operated as a public parking facility. The proposed capital lease would be in an amount of \$3,506,290, which represents 37% of the total garage cost. The capital lease would function as a long-term loan with a 60-year term and 3% interest rate. The lease would provide the applicant the option of eventually purchasing the garage from the CCRFC/DMA. The garage was sized to provide enough parking to support the Conwood development while still providing a significant number of spaces to support further growth and commercial development in the Uptown neighborhood.

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 property total approximately **\$1,733**. A PILOT would allow for new infill development on vacant property.

During the 20-year PILOT term, the annual payment in lieu of taxes is estimated to equal approximately **\$319,158**. This represents a significant increase in the amount of taxes generated by the property. Over the course of the 20-year PILOT term, the cumulative increase in taxes generated by this property would be approximately **\$6,348,488**.

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, attract bank financing, and warrant equity investment. 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.

In most cases, staff recommends that the CCRFC limit PILOTs to a maximum length of 15 years. However, staff is supportive of an exception in this case to approve a 20-year PILOT for several key reasons.

First, this project adds significant residential density and supports improved walkability by adding over 300 new residents and ground-floor commercial space to an area currently occupied by vacant buildings and vacant lots.

Second, it has long been a goal of the DMC to better connect Uptown to the Wolf River Harbor. Historically a site of heavy industry, this waterfront can be transformed into a high-quality amenity and a place of recreation for neighborhood residents. The DMC's strategy has been to support the transition and relocation of industrial uses along the harbor to more appropriate industrial locations. Conwood II represents major progress in this effort to stitch the neighborhood back together with compatible uses and new urban infill development.

Finally, the project is located in Uptown, a section of the Central Business Improvement District (CBID) that has historically seen less investment than many other areas. The DMC staff works with partners in the public and private sectors to encourage new projects in this important neighborhood. As was the case with recent approvals for Malone Park Commons, 61 Keel, Conwood Phase I, and Grind City Brewing, the DMC and its affiliate agencies are emphatically supporting new investment in Uptown. Further, the CCRFC's PILOT program places special emphasis on Census Tracts that have a poverty rate above 20% and/or a median income of 80% or less of the area median income (AMI). Directing new investment towards these census tracts is a high priority for the CCRFC and the DMC.

**Recommendation:**

**Staff recommends approval of a 20-year PILOT subject to all standard closing requirements and conditions.**