

Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)
From: DMC Staff
Date: June 6, 2023
RE: Request to Amend Previously-Approved PILOT for 421 Monroe (The Cycle Shop)

The enclosed request for an amendment to a previously-approved PILOT has been submitted for consideration at the June 13, 2023 CCRFC Board Meeting.

Project: **421 Monroe Ave (The Cycle Shop)**

Applicant/Owner: Steen Watson
Chestnut Cycle Shop QOZB, LLC
832 Georgia Ave, Suite 221
Chattanooga, TN 37402

Included Parcels: Parcel ID 007004 00010C (421 Monroe Ave)

Original Approval: The property at 421 Monroe Avenue was one of the original parcels included in the 20-year PILOT approved in 2017 for the redevelopment of the historic Wonderbread bakery and surrounding properties in the Edge district. This PILOT was closed in January of 2019, and the portion of the PILOT including the Cycle Shop building (421 Monroe Ave) was assigned to Chestnut Cycle Shop QOZB, LLC in February 2020. Per the original PILOT application, the approved plan for the property was the renovation of the blighted Cycle Shop building into a usable commercial building with office and retail space.

Requested Change: The renovation of the Cycle Shop has now been substantially completed, and the applicant is actively working to attract tenants to the building. The applicant is now requesting to amend the PILOT development plan to include the construction of a new multifamily building on the vacant land directly to the west of the Cycle Shop building. This amendment would not add any additional land to the PILOT – it would only add additional development to the property that is currently under a PILOT lease.

The additional multifamily structure will be a six-story building with 108 residential units and ground floor retail space, which will be branded as the Tomorrow Building. The units will be fully furnished “micro-units” aimed at

meeting the needs of the students and workers of the medical district, and other residents who value the convenience of furnished units in a central location.

Revised Budget: The addition of the multifamily Tomorrow Building will increase the overall project budget from **\$6,369,402** to **\$34,566,660**.

Sources:

Debt	\$25,924,995	(75%)
Owner Equity - Land	\$1,000,000	(2.9%)
Owner Equity – Cash	\$6,472,217	(18.7%)
Historic Tax Credits	\$869,448	(2.5%)
TN Historic Dev. Grant	\$300,000	(.9%)
Revised Total Sources	\$34,556,660	(100%)

Uses:

Land & Predevelopment	\$1,872,000	(5.4%)
Hard Construction Costs	\$25,047,402	(72.5%)
FF&E	\$791,000	(2.3%)
Soft Costs	\$2,581,638	(7.5%)
Financing Costs	\$3,816,220	(11%)
Development & Other Costs	\$458,000	(1.3%)
Revised Total Uses	\$34,556,660	(100%)

Timeline: If the amended PILOT is approved, construction on the Tomorrow Building is estimated to begin in Q1 of 2024, with completion expected in Q2 – Q3 of 2025.

Updated MWBE Goal: The project’s significant increase in construction costs with the addition of the tomorrow building will increase the project’s MWBE spending goal under the DMC’s Equal Business Opportunity (EBO) requirement. Based on the current information provided by the applicant, the estimated EBO-eligible costs for this project are as follows:

Hard Costs	\$25,047,402
Soft Costs	\$2,581,638
Total Eligible Costs	\$27,629,040

According to the above estimates, a 25% level of MWBE inclusion for the eligible costs will be approximately **\$6,907,260**.

Parking Strategy: The new multifamily component of the project will make use of the 480-unit garage already constructed for the entire

Edge redevelopment PILOT, as well as other surface and street parking resources already present in the neighborhood.

Housing Policy: Multi-family developments with 51 or more units are subject to the Downtown PILOT Program's affordable housing policy. This policy states that 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.

Design Review Board: The applicant will submit plans to the DRB in the coming months.

Staff Evaluation: The proposed PILOT amendment will not add any additional land to the PILOT, or extend the length of the existing PILOT, which is already active. Instead, the amendment will allow for a large amount of additional investment in the PILOT property, which will dramatically increase the value of the property. This additional investment will lead to higher taxes during and after the PILOT period and introduce a significant amount of new housing on what would otherwise be vacant land.

Staff Recommendation: **Staff recommends approving the applicant's request to amend the previously-approved PILOT for 421 Monroe to now include the construction of a new multifamily building on the same parcel of land.**