

1. **Name of applying Entity:**

46 BB King LLC

Nick Patel

11227 Matthews Cove Ln

Knoxville, Tn 37934

Sam Patel

9639 Grays Meadow

Cordova, Tn 38018

2. **Background information about the applicant and partnership structure.**

The applicant is a partnership between Nick Patel (Knoxville, Tn) and Sam Patel (Memphis, Tn). Sam Patel has been raised as a Memphian for the last 35+ years and through his family been involved (owned and operated) in the Hospitality industry in and around Memphis. His family has a General Contractors company, Hospitality Builders of America, Inc. which has been building for the last 30+ years. Nick Patel is also in the Hospitality industry in East TN but has invested in the Memphis market since 2014 and continues to develop in this market. Both members see great value in Downtown Memphis and specifically this part of downtown. There seems to be a void of viable residential development between Beale Street (to the south) and the Renasant Convention Center (to the north). We see a vision to tie revitalize BB King Blvd between the two boundaries and assist in developing a neighborhood subset within the Core. We believe with the positive feedback we are receiving from surrounding community members, that this project will have a positive impact on the area.

3. **Briefly describe the proposed project:**

Project Description: The proposed project is the development of The Dermon Building located at the NE corner of BB King Blvd (3rd St) and Court Avenue in the Core of Downtown Memphis. This location is in a highly desirable area for living. The 10-story project will have 103 residential units with an average of 651 square feet each and approximately 2000 sq ft of flexible space on the ground floor. The property will have an outdoor lounge and pool area for the residents as well as a dog play area.

a. Economic and Environmental Impact: The previous owner completed an abatement of the environmental contaminants. The rehabilitation of this building will energize this area of downtown.

b. The Square footage of the building/ land area: The 10-story building is 90,000 square feet and sits on the corner at .5 acres.

Parking Strategy:

We are working with Dermon Capital Group who owns the parking lots East of the Dermon (Parcel ID's: 002027 00027, 002027 00025c, 002027 00024, 002027 00033, 002027 00034, 002027 00019, 002027, 00018) on a long term lease. In addition, we are communicating with the Hotel Indigo for a long term lease in their parking structure.

4. **State the marketing plans for the project identifying the intended market. What types of lessees are anticipated? If the project is speculative, how long is full occupancy expected to take and who will manage the project?**

This location in the Core of Downtown Memphis makes this site a highly desirable area for living and working. Upon completion of project, we expect leasing to be at 75% occupancy in the 1st year and 95% occupancy in the 2nd year. Leasing and property management will be handled by Multi-South Management Services, who specialize in multi-family residential property management.

5. **Property Location:**

46 N BB King Blvd
Memphis, Tn 38103

Parcel ID: 002027 00030
Parcel ID: 002027 00029
Parcel ID: 002027 00028

6. **Does the applicant have a valid option to purchase?**

Yes, applicant is under a purchase agreement with Dermon Capital Group LLC

7. **Existing Financing**

8. **Project Cost**

See attached Development Budget

9. **Proposed time schedule of project:**

Q4 2022: Purchase the Dermon Building
Q1 2023: Closing of the construction loan.
Q3 2023: Anticipated Construction Start
Q4 2024: Anticipated Completion Date

10. **Project Team:**

Counsel:

Richard Spore
Bass, Berry, & Simms PLC
The Tower at Peabody Place
100 Peabody Pl, Ste 1300
Memphis, Tn 38103

Architect:

Shapiro & Company Architects PC
Brad Shapiro
4646 Poplar Ave, #517
Memphis, Tn 38117

Elevate Architects
Hitesh Patel
1775 The Exchange SE, Ste 530
Atlanta, Ga 30339

Engineers:

Structural
Haines Structural Group
800 S Gay Street, Ste 1750
Knoxville, Tn 37929

MEP
WestSide Engineering
5525 Interstate North Parkway, Ste 200
Atlanta, Ga 30328

Contractor:

Sam Patel
Hospitality Builders of America, Inc.
9639 Grays Meadow Dr
Cordova, Tn 38018

11. **Are any persons involved with project that are currently engaged in any civil or criminal proceedings?**

No.

12. **Is property historic?**

Yes, listed on the National Register of Historic Places.

13. This application is made in order to induce the Memphis Center City Revenue Finance Corporation (CCRFC) to grant financial incentives to the applicant. The applicant hereby represents that all statements contained herein are true and correct. All information materially significant to the CCRFC in its consideration of the application is included. The applicant expressly consents to the CCRFC's investigation of its credit in connection with this application. The applicant acknowledges that it has reviewed the descriptions of the CCRFC financial program for which it is applying and agrees to comply with those policies. The applicant shall also be required to show a good faith effort with regard to the employment of MWBE contractors. The applicant specifically agrees to pay all reasonable costs, fees and expenses incurred by the CCRFC whether or not the incentive is granted or project completed.

Applicant Signature: _____

Date: 7/19/22 _____

Dermon Building

of Units **103**
 Square Feet **90,000**

	<u>Amount</u>	<u>Per Unit</u>	<u>Per Sq Ft</u>
Total Acquisition Cost	1,500,000	14,563	16.67
Construction Budget			
Residential & Common Area Space Renovation	10,960,000	106,408	121.78
Commercial Space Renovation	702,000	6,816	7.80
Stairs and Elevators	600,000	5,825	6.67
Basement	480,000	4,660	5.33
Pool & Patio	350,000	3,398	3.89
Construction Contingency 7.50%	996,900	9,679	11.08
Interior Demolition	200,000	1,942	2.22
Total Construction:	<u>14,288,900</u>	<u>138,727</u>	<u>158.77</u>
Soft Costs			
Architecture & Engineering	250,000	2,427	2.78
Interest	396,383	3,848	4.40
Closing, Title, Recording, Appraisal & Survey	40,000	388	0.44
Real Estate Tax (Construction)	180,000	1,748	2.00
Loan Fees	150,000	1,456	1.67
PILOT Fees	252,829	2,455	2.81
Legal	25,000	243	0.28
Marketing	25,000	243	0.28
Total Soft Costs:	<u>1,319,212</u>	<u>12,808</u>	<u>14.66</u>
GRAND TOTAL	17,108,112	166,098	190.09
Source of Funds			
Bank Loan	13,686,490		
Equity	<u>3,421,622</u>		
	<u>17,108,112</u>		

15-Year Cash Flow With Pilot	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Year	2032	2033	2034	2035	2036	2037
Project Status	Stabilized	Stabilized	Stabilized	Stabilized	Stabilized	Stabilized
Rental Revenue	2,163,099	2,217,176	2,272,605	2,329,421	2,387,656	2,447,347
Additional Income	258,268	262,142	266,074	270,065	274,116	278,228
Retail Revenue	-	-	-	-	-	-
Total Revenue	2,421,366	2,479,318	2,538,679	2,599,486	2,661,772	2,725,575
Vacancy	(75,708)	(77,601)	(79,541)	(81,530)	(83,568)	(85,657)
Credit Loss	(6,489)	(6,652)	(6,818)	(6,988)	(7,163)	(7,342)
Gross Revenue	2,339,169	2,395,065	2,452,320	2,510,968	2,571,041	2,632,576
Operating Expenses	(645,377)	(660,798)	(676,595)	(692,776)	(709,350)	(726,328)
RE Taxes	(93,830)	(93,830)	(93,830)	(93,830)	(93,830)	(93,830)
Net Operating Income	1,599,962	1,640,437	1,681,895	1,724,362	1,767,861	1,812,418
Debt Service	(1,129,771)	(1,129,771)	(1,129,771)	(1,129,771)	(1,129,771)	(1,129,771)
Capital Repl. & Impr. Reserves	-	-	-	-	-	-
Net Cash Flow	470,190	510,665	552,124	594,590	638,089	682,647
Debt Service Coverage:	1.42	1.45	1.49	1.53	1.56	1.60
OpEx/ Revenue	27.59%	27.59%	27.59%	27.59%	27.59%	27.59%
Project Yeild (w/out Pilot)						
Return on Equity	9.40%	10.21%	11.04%	11.89%	12.76%	13.65%
Return on Equity						

15-Year Cash Flow Without Pilot	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Year	2032	2033	2034	2035	2036	2037
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Operating Expenses	(645,377)	(660,798)	(676,595)	(692,776)	(709,350)	(726,328)
RE Taxes	(250,507)	(250,507)	(250,507)	(250,507)	(250,507)	(250,507)
Net Operating Income	1,443,285	1,483,760	1,525,218	1,567,685	1,611,184	1,655,741
Debt Service	(1,129,771)	(1,129,771)	(1,129,771)	(1,129,771)	(1,129,771)	(1,129,771)
Capital Repl. & Impr. Reserves	-	-	-	-	-	-
Net Cash Flow	313,513	353,988	395,447	437,913	481,412	525,970
Debt Service Coverage:	1.28	1.31	1.35	1.39	1.43	1.47
OpEx/ Revenue	27.59%	27.59%	27.59%	27.59%	27.59%	27.59%
Project Yeild (w/out Pilot)						
Return on Equity	6.27%	7.08%	7.91%	8.76%	9.63%	10.52%
Return on Equity						

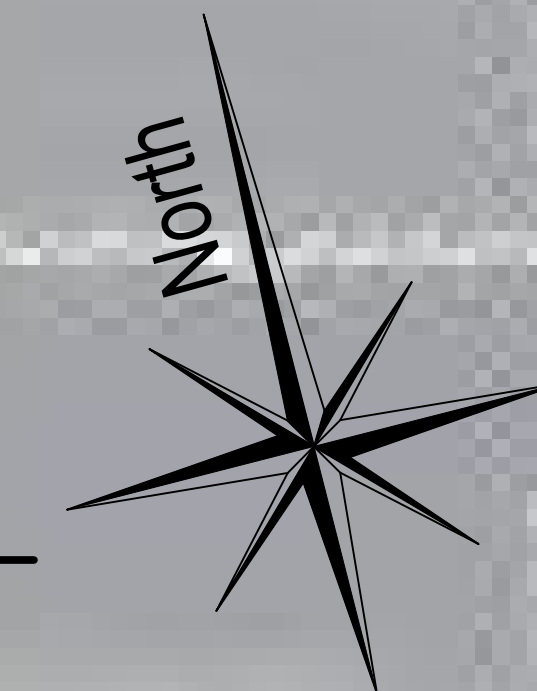
North BB King Boulevard



Alley

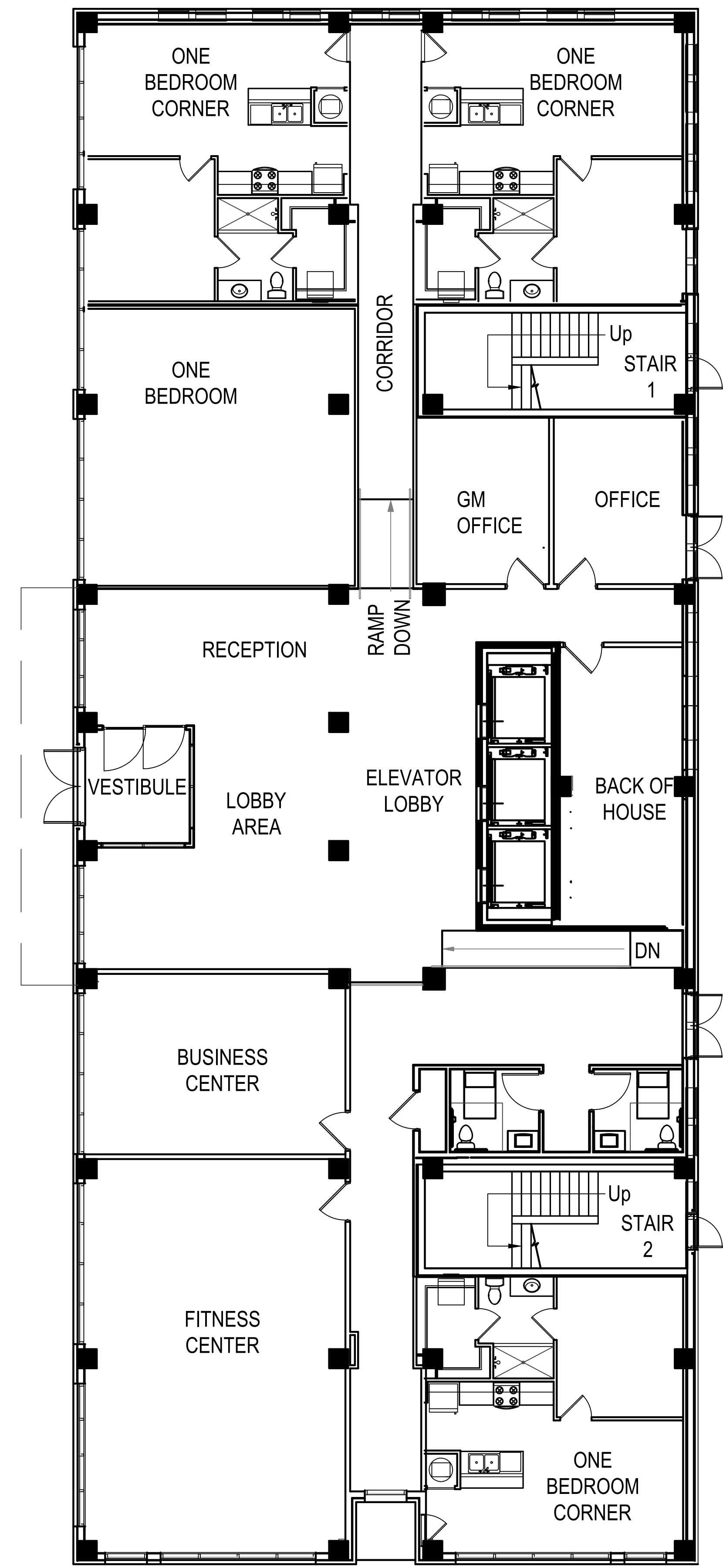
Court Ave.

1 Site Plan
Scale: 1/8" = 1'-0"

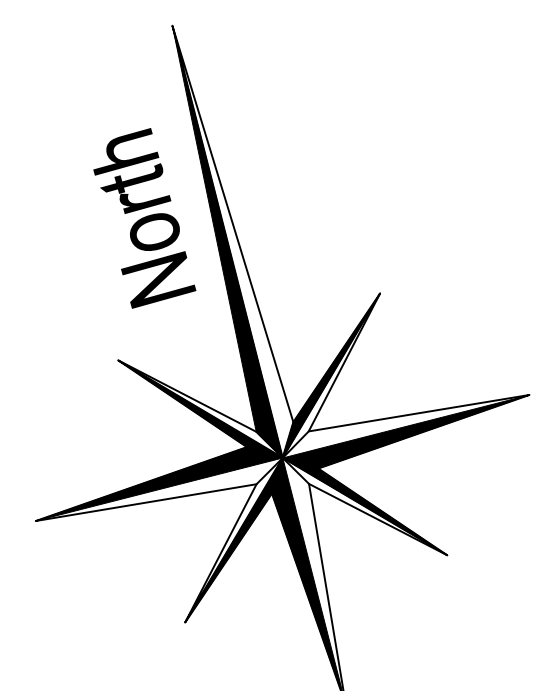


TOTAL UNIT COUNT		
STUDIO ONE	ONE BEDROOM	TOTAL
45	58	103
44%	56%	100%

Dermon Building
Sam Patel - Memphis TN.
Shapiro & Company Architects, p.c.
July 20, 2022

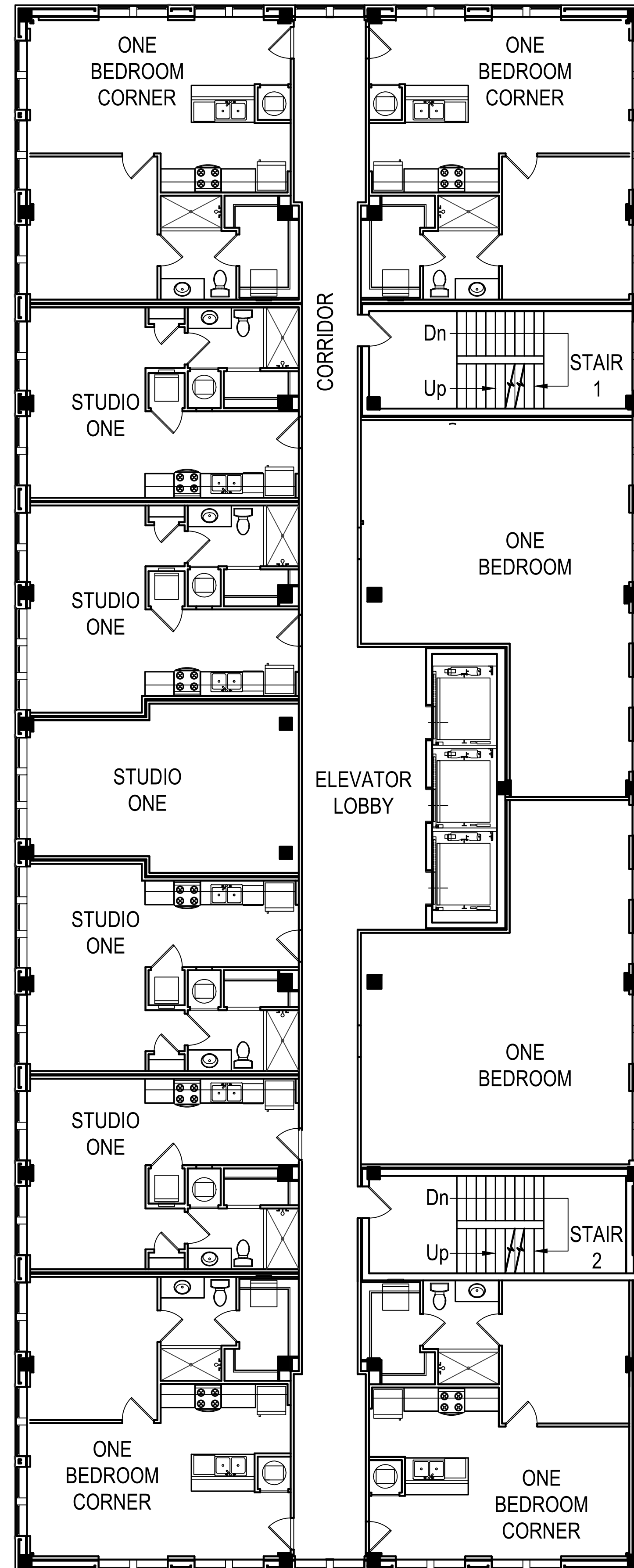


1 Ground Floor Plan
 Scale: 1/8" = 1'-0"



TOTAL UNIT COUNT		
STUDIO	ONE BEDROOM	TOTAL
0	4	4

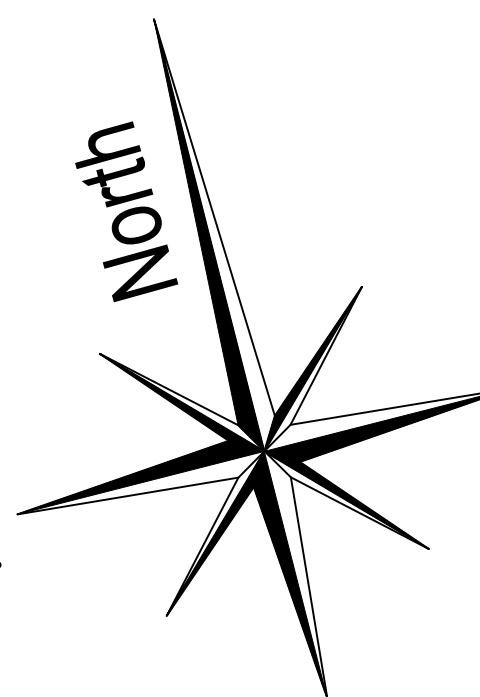
Dermon Building
 Sam Patel - Memphis TN.
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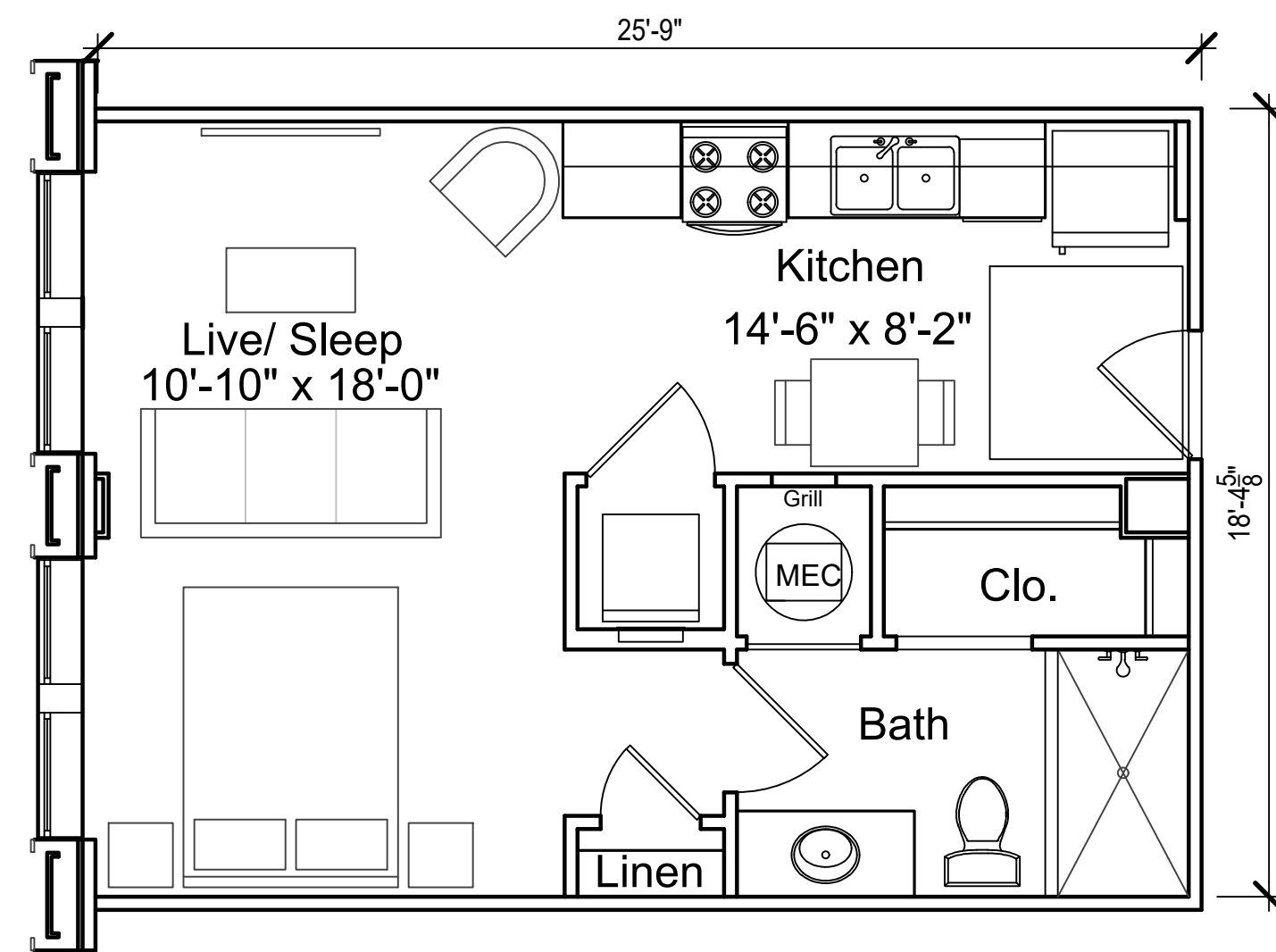
2nd -10th Floor Plans

Scale: 1/8" = 1'-0"



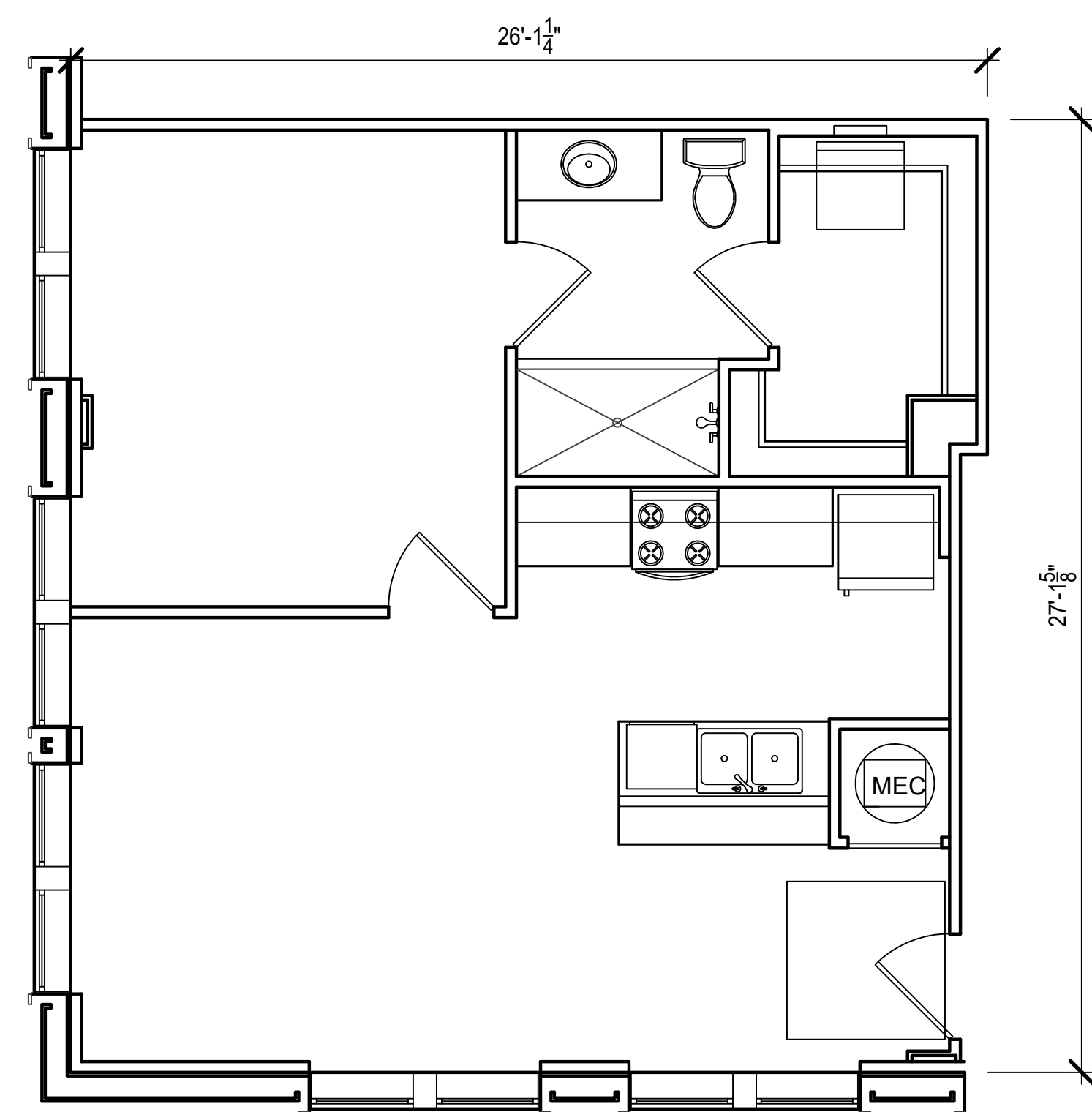
TOTAL UNIT COUNT		
STUDIO	ONE BEDROOM	TOTAL
5	6	11 / FLOOR X 9 = 99 UNITS

Dermon Building
 Sam Patel - Memphis TN.
 Shapiro & Company Architects, p.c.
 July 20, 2022



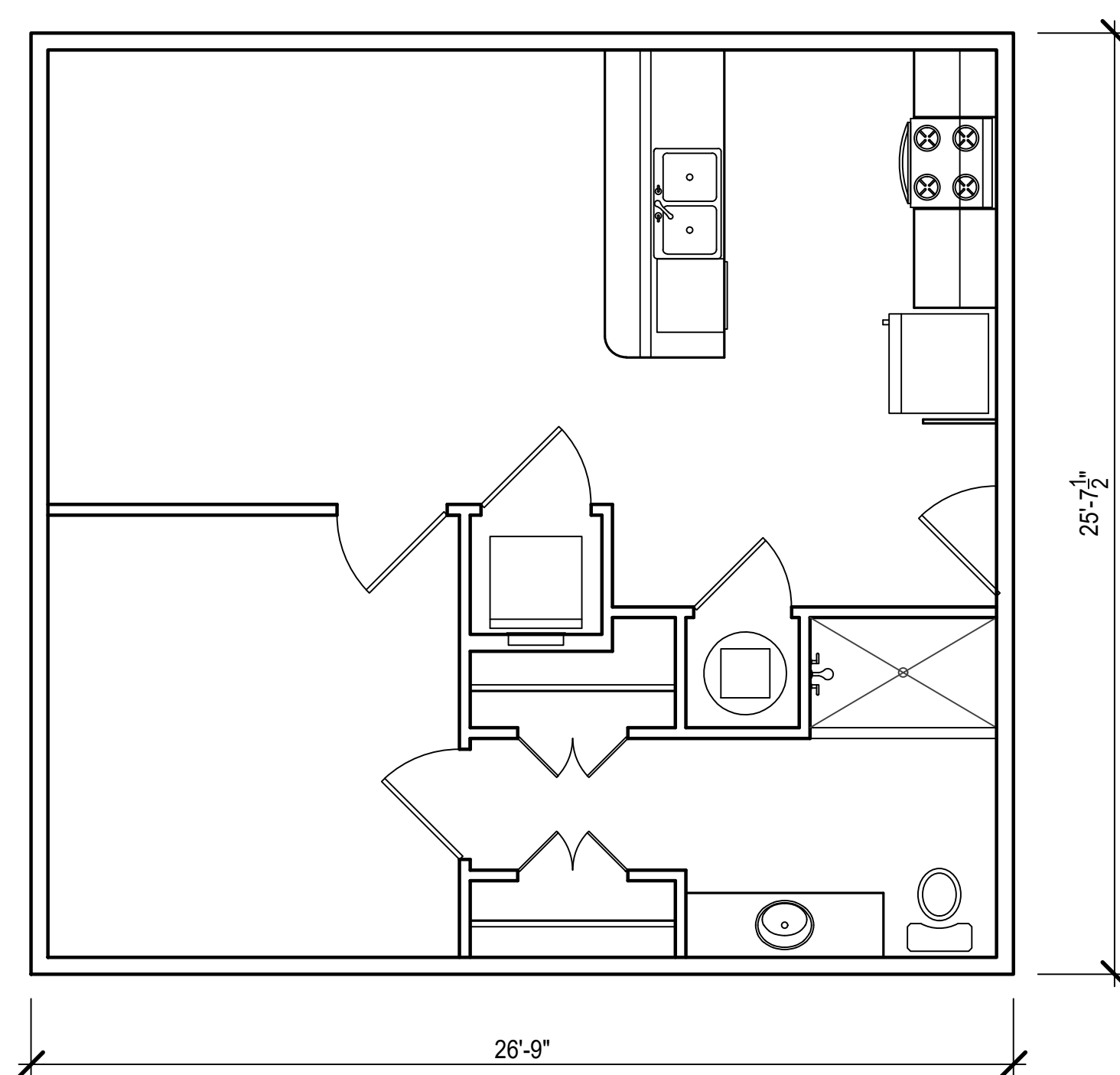
Unit Area Calculation	Occupant Load 3
Gross Conditioned Space (Outside face of perimeter wall)	487 sqft

1 STUDIO ONE
Scale: 1/4" = 1'-0"



Unit Area Calculation	Occupant Load 3
Gross Conditioned Space (Outside face of perimeter wall)	691 sqft

2 ONE BEDROOM CORNER
Scale: 1/4" = 1'-0"



Unit Area Calculation	Occupant Load 3
Gross Conditioned Space (Outside face of perimeter wall)	685 sqft

3 ONE BEDROOM
Scale: 1/4" = 1'-0"

Unit Mix	Unit SF	Count	Ratio	Gross Rent	\$ / SF
One Corner	691	27	26%	\$ 1,728	\$ 2.50
One Bed	685	18	17%	\$ 1,713	\$ 2.50
Studio	487	58	56%	\$ 1,339	\$ 2.75
Commercial					
	621	103	100%	\$ 1,593	\$ 2.58





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APPENDICES

Appendix I – PILOT Grading

A project must meet at least one primary qualification category in order to be eligible for any applicable secondary qualifications and/or additional term accumulation. Exceptions for projects that further the priorities of the CCRFC may be granted at the discretion of the CCRFC board.

PRIMARY QUALIFICATION		SECONDARY QUALIFICATION	
RESIDENTIAL			
2 to 5 Units:	1 Year	2 to 5 Units:	.5 Year
6 to 10 Units:	2 Years	6 to 10 Units:	1 Year
11 to 15 Units:	3 Years	11 to 15 Units:	1.5 Years
16 to 25 Units:	4 Years	16 to 25 Units:	2 Years
26 to 50 Units:	5 Years	26 to 50 Units:	2.5 Years
51 Units +:	6 Years	51 + Units:	3 Years
OFFICE			
Below 15,000 sf:	1 Year	Below 15,000 sf:	.5 Year
15,000 to 50,000:	2 Years	15,000 to 50,000:	1 Year
50,001 to 100,000:	3 Years	50,001 to 100,000:	1.5 Years
100,001 to 200,000:	4 Years	100,001 to 200,000:	2 Years
200,001 to 300,000:	5 Years	200,001 to 300,000:	2.5 Years
300,001 sf +:	6 Years	300,001 sf +:	3 Years
EDUCATION			
Below 15,000 sf:	1 Year	Below 15,000 sf:	.5 Year
15,000 to 50,000:	2 Years	15,000 to 50,000:	1 Year
50,001 to 100,000:	3 Years	50,001 to 100,000:	1.5 Years
100,001 to 200,000:	4 Years	100,001 to 200,000:	2 Years
200,001 to 300,000:	5 Years	200,001 to 300,000:	2.5 Years
300,001 sf +:	6 Years	300,001 sf +:	3 Years
HOTEL			
2 to 10 Rooms:	1 Year	2 to 10 Rooms:	.5 Year
11 to 25 Rooms:	2 Years	11 to 25 Rooms:	1 Year
26 to 50 Rooms:	3 Years	26 to 50 Rooms:	1.5 Years
51 to 100 Rooms:	4 Years	51 to 100 Rooms:	2 Years
101 to 200 Rooms:	5 Years	101 to 200 Rooms:	2.5 Years
201 Rooms +:	6 Years	201 Rooms +:	3 Years
INDUSTRIAL			
Below 50,000 sf:	1 Year	Below 50,000 sf:	.5 Year
50,000 to 150,000:	2 Years	50,000 to 150,000:	1 Year
150,001 to 250,000:	3 Years	150,001 to 250,000:	1.5 Years
250,001 to 350,000:	4 Years	250,001 to 350,000:	2 Years
350,001 to 500,000:	5 Years	350,001 to 500,000:	2.5 Years
500,001 sf +:	6 Years	500,001 sf +:	3 Years
PARKING STRUCTURES			
200 to 300 cars:	1 Year	200 to 300 cars:	.5 Year
301 to 400 cars:	2 Years	301 to 400 cars:	1 Year
401 to 500 cars:	3 Years	401 to 500 cars:	1.5 Years
501 to 600 cars:	4 Years	501 to 600 cars:	2 Years
601 to 700 cars:	5 Years	601 to 700 cars:	2.5 Years
701 cars +:	6 Years	701 cars +:	3 Years

RETAIL			
15,000 to 20,000 sf:	4 Years	Below 5,000 sf:	.5 Year
20,001 to 30,000 sf:	5 Years	5,000 to 9,999 sf:	1 Year
30,001 sf + :	6 Years	10,000 to 14,999 sf:	1.5 Years
		15,000 to 20,000 sf:	2 Years
		20,001 to 30,000 sf:	2.5 Years
		30,001 sf + :	3 Years

TOTAL PROJECT DEVELOPMENT COST	
\$1 – 5 Million:	1 Year
\$5+ – 10 Million:	2 Years
\$10+ – 15 Million:	3 Years
\$15+ – 20 Million:	4 Years
\$20+ Million:	5 Years

CCRFC Priorities

General Location

Located in CBID (Appendix II):	3 Years
Located outside CBID, but inside CCRFC boundaries (Appendix II):	1 Year

Core & Historic

Project may only qualify for one of the following five:

Construction of a new structure in the Downtown Core:	1 Year
Renovation of an existing structure in the Downtown Core:	2 Years
Renovation of a structure listed as non-contributing property in a National Register or Landmarks Commission Historic District:	3 Years
Renovation of a structure listed as significant or contributing in a National Register or Memphis Landmarks Commission Historic District:	4 Years
Renovation of a structure listed individually on the National Register of Historic Places:	5 Years

Community-based Initiatives & Economically Distressed Areas

Project may qualify for up to two of the following:

Fronting the Main to Main Multi-Modal Connector Route (Appendix II):	3 Years
Located within the boundaries of the Edge Neighborhood (Appendix II):	3 Years
Located within the boundaries of the South City Impact Area (Appendix II):	3 Years
Located within the boundaries of the Pinch Neighborhood (Appendix II):	4 Years
Located in a Census Tract with a Poverty Rate over 20 percent*	2 Years
Located in a Census Tract earning 80 or less of Area Median Income (AMI)*	2 Years

Design & Energy

Project may qualify for one or more of the following:

Including permanent public art (qualification determined by the DMC Design Review Board):	1 Year
Including enhanced architectural lighting (qualification determined by the DMC Design Review Board):	1 Year
Leadership in Energy and Environmental Design (LEED) Certification:	4 Years

Net Zero Energy Building (NZEB) Certification:	4 Years
Memphis Light, Gas and Water (MLGW) Energy Advantage Certification:	1 Years

* Applicants may refer to the HUD map to confirm qualification; <https://www.huduser.gov/gct/gctmap.html>.

PILOT TERM CALCULATION

Primary Qualification:	6 years
Secondary Qualification A:	
Secondary Qualification B:	
Secondary Qualification C:	
Total Project Development Cost:	4 years
CCRFC Priorities:	12 years
PILOT TERM:	22 years

* REQUESTED PILOT: FIFTEEN (15) YEARS